

CML Group

CML Group Limited
ACN 098 952 277

PROSPECTUS

For a non-renounceable pro rata issue of approximately 10,387,131 Convertible Notes to be issued at an issue price of \$1.00 per Convertible Note on the basis of one (1) Convertible Note for every nine (9) Shares held by Eligible Shareholders as at 5.00pm (AEST) on the Record Date to raise approximately \$10,387,131 (the **Offer**) before costs of the Offer.

The Offer is partially underwritten up to \$5,000,000 by co-underwriters Halcyon Corporate Pty Ltd and Baillie Asset Management Ltd. Halcyon Corporate Pty Ltd has also entered into an agreement with the Company to place (after the entitlement period) any shortfall not taken up by existing shareholders or underwritten.

Important Notice

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matters, then you should consult your stockbroker, accountant or other professional adviser.

Underwriters of the Offer

Halcyon Corporate Pty Ltd



Baillie Asset Management Ltd



The Underwriting Agreements are subject to terms and conditions. Refer to section 12.1 for further details.

Important Notes and Information

This Prospectus is dated Monday 22 December 2014 and a copy of this Prospectus was lodged with ASIC on that date. ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of this Prospectus is the date 13 months after the date this Prospectus was lodged with ASIC (**Expiry Date**). No Convertible Notes will be allotted or issued on the basis of this Prospectus after the Expiry Date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

No person named in this Prospectus, nor any other person, guarantees the performance of the Company, the repayment of the face value of the Convertible Notes or the payment of interest on the Convertible Notes.

Except as required by law, and only to the extent required, neither the Company nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

Applications for Convertible Notes offered pursuant to this Prospectus can only be submitted on an original Application Form.

Application will also be made to ASX within seven (7) days after the date of this Prospectus for Official Quotation of the Convertible Notes the subject of this Prospectus.

Transaction Specific Prospectus

This Prospectus is a transaction specific prospectus for an offer of Convertible Notes convertible into continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act as permitted by ASIC Class Order 00/195. This Prospectus does not contain the same level of disclosure as an initial public offering prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Place of Offer

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia. The Offer is only being made to Shareholders with a registered address in Australia and New Zealand. The distribution of this Prospectus and the Entitlement and Acceptance Form (including electronic copies) in jurisdictions outside Australia and New Zealand may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of applicable securities laws. This Prospectus is not to be distributed in, and no offer of Convertible Notes is to be made in, countries other than Australia except to the extent permitted below.

New Zealand

The Convertible Notes are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the Offer is being made in reliance on the *Securities Act (Overseas Companies) Exemption Notice 2013* (New Zealand). This Prospectus has not been registered, filed with, or approved by, any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

As noted in Section 8.7, the Company will apply to ASX for Official Quotation of the Convertible Notes offered under this Prospectus. If Official Quotation is granted, the Convertible Notes offered under this Prospectus (and any Shares issued on conversion of the Convertible Notes) will be able to be traded on ASX. If you wish to trade the Convertible Notes (or any Shares issued on conversion of the Convertible

Notes) through that market, you will have to make arrangements for a participant in that market to sell the Convertible Notes (or any Shares issued on conversion of the Convertible Notes) on your behalf. As ASX does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market and the information available about the Convertible Notes (or any Shares issued on conversion of the Convertible Notes) and trading may differ from securities markets operating in New Zealand.

Risk Factors

Applicants should consider the risk factors described in Section 11 of this Prospectus, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Convertible Notes.

Taxation Implications of the Offer

The Directors are unable to provide Shareholders advice on the taxation implications (if any) of investing in the Offer because each Shareholders' circumstances are different. Shareholders should seek advice from a professional taxation advisor before deciding to invest.

To the maximum extent permitted by law, the Company, its Directors, Officers and employees do not accept any responsibility or liability for any taxation consequences for Shareholders resulting from an investment in the Offer.

Trustee

The Trustee has not had any involvement in the preparation of any part of this Prospectus (other than particular references to the Trustee and the Trust Deed). The Trustee expressly disclaims and takes no responsibility for any other part of this Prospectus. The Trustee neither makes, nor purports to make, any statement in this Prospectus or any statement on which a statement in this Prospectus is based and has not authorised or caused the issue, submission, dispatch or provision of it.

The interest payments on the Convertible Notes are obligations of the Company and are not guaranteed by the Trustee or any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, related bodies corporate or any other entity.

The obligation to redeem Convertible Notes in accordance with the Terms of Issue is a direct obligation of the Company. Neither the Trustee nor any of its directors, employees, officers, affiliates, agents, advisers, intermediaries, related bodies corporate or any other entity guarantees the redemption of or repayment of any principal under the Convertible Notes.

The Trustee is not responsible for monitoring the Company's compliance with the Trust Deed nor the Company's business.

Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at **www.cml-group.com.au**. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be a shareholder with a registered address in Australia or New Zealand and must only access the Prospectus within Australia.

Shareholders in other jurisdictions (including the US) are not entitled to access a copy of the Prospectus on the Company's website. Persons who access the electronic version of this Prospectus on the Company's website should ensure they download and read the entire Prospectus. The version of the Prospectus on the Company's website will not include the Application Forms. None of the information on the Company's website is incorporated by reference into this Prospectus.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the Application Form it was not provided together with the electronic Prospectus and any relevant supplementary or replacement Prospectus.

Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company or the Share Registry.

Photographs and diagrams

Photographs contained in this Prospectus are for illustration only. In circumstances where people appear in any photograph, that does not mean that the person in any way endorses this Prospectus, the Offer or the Company. Diagrams may be graphical for illustrative purposes and may not be fully detailed or necessarily to scale.

Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received must be dealt with in accordance with section 724 of the Corporations Act.

Pursuant to section 727(3) of the Corporations Act, applications for Convertible Notes under this Prospectus will not be accepted by the Company until after the Exposure Period. No preference will be conferred on persons who lodge Applications prior to the expiry of the Exposure Period.

Role of Underwriters

The Offer is partially underwritten by co-underwriters Halcyon Corporate Pty Ltd and Baillie Asset Management Ltd up to a maximum value of \$5,000,000. Details of the Underwriting Agreements are set out in Section 12.1 of this Prospectus.

Privacy

Please read the privacy statements in Section 13.4. By submitting an Application Form accompanying this Prospectus, you consent and agree to the matters outlined in Section 13.4.

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2. Corporate Directory

Directors

Mr Greg Riley	Non-Executive Chairman
Mr Daniel Riley	Managing Director, CEO
Ms Sue Healy	Non-Executive, Director
Mr Richard Farrington	Non-Executive, Director

Chief Financial Officer and Company Secretary

Mr Ralph Stonell

Principal Registered Office in Australia

Level 4
61 Lavender Street
Milsons Point NSW 2061

Auditors

Pitcher Partners
Level 22, MLC Centre, 19 Martin Place
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Ltd
Level 4, 60 Carrington Street,
Sydney NSW 2000

Solicitors to the Company

Rockwell Olivier (Sydney) Pty Ltd
Level 22, 1 Market Street
Sydney NSW 2000

Trustee

Australian Executor Trustees Ltd
Level 22, 207 Kent Street
Sydney NSW 2000

Underwriters of the Offer

Halcyon Corporate Pty Ltd
Level 8, 446 Collins Street
Melbourne VIC 3000

Baillie Asset Management Ltd
Level 8, 446 Collins Street
Melbourne VIC 3000

3. Chairman's Letter

Dear Shareholder

NON-RENOUCEABLE PRO RATA ISSUE – CONVERTIBLE NOTES

CML Group is moving through an exciting period of growth, underpinned by the finance business in particular, which is maturing in terms of marketing, staff experience, processes and systems. Profit is rising in this division as we begin to experience the benefit of scale, where the substantial investment in start-up and staffing is being absorbed by business volume.

Access to appropriate funding is critical to the Group's aspirations of continued growth in its loan book within the finance division. It is for this purpose that we are issuing a Convertible Note and I am pleased to invite you to participate in the Company's growth through participation in what our Board believes is an attractive offering to current shareholders.

You are invited to participate in a non-renounceable pro rata Convertible Notes issue, the issue to be on the basis of one (1) Convertible Note for every nine (9) Shares in the Company held by you on the Record Date.

The Convertible Notes will be issued to Shareholders at an issue price of \$1.00 per Convertible Note to raise up to approximately \$10,387,131 (**Offer**). The funds raised from the Offer will be used predominately to facilitate the proposed growth in the Finance Division loan book to the previously stated target of \$25m by December 2015. The Offer, combined with the current Greensill facility and current equity, will enable the proposed growth in the loan book.

Eligible Shareholders may also apply for additional Convertible Notes in excess of their Entitlement (**Additional Convertible Notes**) at the same issue price in the event that there is a shortfall of acceptances of Convertible Notes.

The Offer is partially underwritten by co-underwriters Halcyon Corporate Pty Ltd and Baillie Asset Management Ltd up to a maximum value of \$5,000,000 and the Company has appointed Halcyon Corporate Pty Ltd to place any shortfall after the entitlement period.

The Directors of the Company have indicated they intend to subscribe for Convertible Notes with a total value of approximately \$100,000 (either under the Offer or through partially sub-underwriting any Offer shortfall).

The Company will apply to ASX for quotation of the Convertible Notes.

Full details of the Offer are contained in this Prospectus. I urge you to carefully consider the material contained in the Prospectus and to consult your stockbroker, accountant or independent financial advisor if you have any queries.

A personalised Entitlement and Acceptance Form is also attached to this Prospectus. If you are eligible and you wish to accept your Entitlement pursuant to the Offer, you will need to complete the Entitlement and Acceptance Form and return it together with the appropriate Application Money to the Company's share registry before 5.00pm (AEST) on the closing date of Wednesday 21 January 2015.

On behalf of the Directors, I thank you for your continued support and I recommend you to consider this investment opportunity.

Yours sincerely,



Greg Riley
Chairman
CML Group Limited

4. Purpose and effect of the Offer

4.1. Purpose of the Offer

The purpose of this Offer is to raise up to approximately \$10,387,131 (based on the number of Shares on issue at the date of this Prospectus) before the expenses of the Offer.

The proceeds of the Offer will be principally used by the Company to:

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

The Company intends to allocate the funds raised from the Offer as set out below.

Proposed Use of Funds	Minimum (Underwritten amount)	%	Maximum subscription	%
Funding to Finance Division for factoring business*	\$4,550,000	91%	\$9,667,774	93%
Costs of Offer (estimate)	\$450,000	9%	\$719,357	7%
Total	\$5,000,000	100%	\$10,387,131	100%

***Notes:**

1. In terms of the funds allocated to "Funding to Finance Division for factoring business", the Company initially intends to put the funds of the Offer to use by repaying the amounts outstanding under the Greensill back-to-back invoice facility. This will be done as the various maturity dates arise. As at the date of the Prospectus the utilisation of the Greensill back-to-back invoice facility is approximately \$9,900,000. The maturity dates range from 18 December 2014 to 5 June 2015.

The Company is not retiring the Greensill back-to-back invoice facility. Rather, the intention is to immediately put the proceeds of the Offer to work in funding the loan book. Accordingly, the Company's intention is that as the volume in the Company's loan book grows, the Company intends to again draw down on the Greensill back-to-back invoice facility. No assurance has been provided from Greensill that the balance of funds available under the Greensill back-to-back invoice facility will be available to the Company to be re drawn from time to time.
2. There is no minimum subscription condition for the Offer to proceed. However the Offer is partially underwritten. Therefore the minimum amount that will be raised under the Offer is \$5,000,000, which is equal to the Underwritten Amount (assuming that the Underwriting Agreement is not terminated).
3. If funds raised are greater than the Underwritten Amount, the Company will allocate those funds first towards the costs of the Offer, then to "Funding to Finance Division for factoring business".

However, in the event that circumstances change or other better opportunities arise the Directors reserve the right to vary the proposed use of funds to maximise the benefit to Shareholders.

The issue of Convertible Notes is the preferred method of funding as it is long term, at competitive rates compared to other sources of finance and has the potential, if the Convertible Notes are converted, to supplement the equity base of the Company. However, this type of investment carries with it various risks as outlined in Section 11 of this Prospectus.

4.2. Effect of the Offer

The principal effect of the Offer (assuming the Offer is fully subscribed) will be to:

- a) increase cash reserves by approximately \$9,668,000 after the completion of the Offer and after the payment of the expenses of the Offer; and
- b) increase the number of Convertible Notes on issue from nil Convertible Notes as at the date of this Prospectus to 10,387,131 Convertible Notes.

4.3. Effect of Offer on capital structure

The effect of the Offer on the capital structure of the Company is set out below, assuming the Offer is fully subscribed and no other securities are issued before the Record Date:

Based on maximum subscription	Ordinary Shares	Convertible Notes
Securities on issue at the date of this Prospectus	93,484,176	-
Securities offered pursuant to the Offer under this Prospectus	-	10,387,131
Total securities after Completion of Offer	93,484,176	10,387,131
Securities issued if all the Convertible Notes issued under the Offer are converted	41,548,524	-
Total Securities after Conversion of all Convertible Notes under Offer	135,032,700	-

If the Offer is not fully subscribed and assuming no other securities are issued before the Record Date the effect of the Offer on the capital structure of the Company is as follows:

Based on minimum subscription (Underwritten amount)	Ordinary Shares	Convertible Notes
Securities on issue at the date of this Prospectus	93,484,176	-
Securities offered pursuant to the Offer under this Prospectus	-	5,000,000
Total securities after Completion of Offer	93,484,176	5,000,000
Securities issued if all the Convertible Notes issued under the Offer are converted	20,000,000	-
Total Securities after Conversion of all Convertible Notes under Offer	113,484,176	-

4.4. Pro-forma statement of Financial Position

CML Group Limited

Consolidated Group

		As at 30 June 2014	As at 30 Sep 2014		Proforma if \$10.4m raised		Proforma if \$5m raised
	Note	(Audited) \$ 000's	(Unaudited) \$ 000's	Adjustments	(Unaudited) \$ 000's	Adjustments	(Unaudited) \$ 000's
Current Assets							
Cash and cash equivalents	b)	504	2,092	9,668	11,760	4,550	6,642
Trade and other receivables		24,321	22,240		22,240		22,240
Other current assets		916	1,445		1,445		1,445
		25,741	25,777	9,668	35,445	4,550	30,327
Non Current Assets							
Plant and equipment		174	170		170		170
Deferred tax assets		876	876		876		876
Intangible assets		5,358	5,383		5,383		5,383
		6,408	6,429		6,429		6,429
Total Assets		32,149	32,206	9,668	41,874	4,550	36,756
Current Liabilities							
Trade payables		10,755	10,157		10,157		10,157
Other payables	c)	2,524	6,724	2,571	9,295	2,571	9,295
Other Current Liabilities		106	0		0		0
Borrowings	c)	6,685	2,578	(2,571)	7	(2,571)	7
Current tax liabilities		671	855		855		855
Short-term provisions		1,120	1,175		1,175		1,175
		21,861	21,489	0	21,489	0	21,489
Non Current Liabilities							
Convertible Note	a) & d)	-	-	5,938	5,938	2,794	2,794
Borrowings		17	17		17		17
Long-term provisions		4	4		4		4
		21	21	5,938	5,959	2,794	2,815
Total Liabilities		21,882	21,510	5,938	27,448	2,794	24,304
Net Assets		10,267	10,696	3,730	14,426	1,756	12,452
Equity							
Issued capital	a) & d)	10,350	10,350	3,730	14,080	1,756	12,106
Retained Losses		(524)	(524)		(524)		(524)
General Reserve		441	870		870		870
Total Equity		10,267	10,696	3,730	14,426	1,756	12,452

The pro-forma statement of Financial Position as at 30 September 2014 has been prepared based on the historical Statement of Financial Position as at that date and on the assumption that the following transactions had occurred as at 30 September 2014;

If \$10,387,131 is raised:

- The estimated transaction costs of \$719,357 have been capitalised. \$277,553 has been applied to the equity component and \$441,804 to the debt component. The debt component will be amortised over 5 years for accounting and taxation purposes while the equity component will be amortised over 5 years only for taxation purposes.
- The Net transaction proceeds of \$9.668m (net of the transaction costs of \$719,357) have been applied to cash assets.
- As at 30 June 2014, the NAB secured cashflow finance facility had a balance of \$6.678m. Since 30 June 2014, the drawn amount under the NAB facility has been reduced using the funding capacity available under the Greensill back-to-back invoice facility (an unsecured facility of up to \$10m). During the first week of November 2014, the Company fully retired the NAB facility using a portion of the remaining capacity available under the Greensill facility.

- d) The Convertible Notes are deemed to be compound financial instruments comprising both of a financial liability (debt component) and equity component (option value). The equity component has been valued as \$3.730m using the Black Scholes option pricing model. The financial liability component has been valued at \$5.938m being the difference between the face value of the Convertible Notes and the equity component.

If \$5,000,000 is raised:

- a) The estimated transaction costs of \$450,000 have been capitalised. \$173,626 has been applied to the equity component and \$276,374 to the debt component. The debt component will be amortised over 5 years for accounting and taxation purposes while the equity component will be amortised over 5 years only for taxation purposes.
- b) The Net transaction proceeds of \$4.550m (net of the transaction costs of \$450,000) have been applied to cash assets.
- c) As at 30 June 2014, the NAB secured cashflow finance facility had a balance of \$6.678m. Since 30 June 2014, the drawn amount under the NAB facility has been reduced using the funding capacity available under the Greensill back-to-back invoice facility (an unsecured facility of up to \$10m). During the first week of November 2014, the Company fully retired the NAB facility using a portion of the remaining capacity available under the Greensill facility.
- d) The Convertible Notes are deemed to be compound financial instruments comprising both of a financial liability (debt component) and equity component (option value). The equity component has been valued as \$1.756m using the Black Scholes option pricing model. The financial liability component has been valued at \$2.794m being the difference between the face value of the Convertible Notes and the equity component.

4.5. Potential effect of the Offer

The Offer is a pro rata offer of Convertible Notes with no immediate effect on the voting power of Eligible Shareholders. However, should Eligible Shareholders exercise their right to convert their Convertible Notes into Shares at a later date then this will have a dilutionary effect on other Shareholder's proportional shareholding in the Company at that particular time. However, as the issue is a pro rata issue, this dilutionary effect can be mitigated by an Eligible Shareholder taking up their Entitlement in full.

In the event of a Shortfall, the Directors of the Company reserve the right to place the Shortfall at their sole and absolute discretion, subject to the terms of the Underwriting Agreement.

The Offer is being partially underwritten by the Underwriters. If any of the Underwriters are required to subscribe for Convertible Notes under the Underwriting Agreement, it will impact on their shareholding in the Company.

5. Key terms and dates of the Offer

5.1. Important Notice

This Section 5 only covers the key terms of the Offer and is not intended to provide all the information necessary for investors intending on applying for Convertible Notes under the Offer. Investors should read this Prospectus in its entirety.

5.2. The Offer

The Company hereby offers a non-renounceable pro rata issue of 10,387,131 Convertible Notes to be issued at a price of \$1.00 per Convertible Note on the basis of one (1) Convertible Note for every nine (9) Shares held by Eligible Shareholders on the Record Date to raise approximately \$10,387,131 (before costs of the Offer).

The offer is partially underwritten up to \$5,000,000 by co-underwriters Halcyon Corporate Pty Ltd and Baillie Asset Management Ltd and the Company has appointed Halcyon Corporate Pty Ltd to place any shortfall after the entitlement period. The proceeds of the Offer, after paying for the costs of the Offer, will be principally used to fund growth in the Company's finance division. Refer to section 4 to read more about the manner in which the proceeds of the Offer will be used.

5.3. Key Terms of the Convertible Note

The key terms and conditions of the Convertible Notes offered pursuant to the Offer are set out below. This information should be read in conjunction with other information contained in this Prospectus and, in particular, the Terms of Issue set out in Appendix A.

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	<p>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.</p>
Cumulative	<p>Interest on the Convertible Notes not paid when due shall accrue on a daily basis. If the interest is not paid within five (5) Business Days of its due date this will constitute an Event of Default under the Trust Deed.</p>
Dividend Stopper	<p>If, for any reason, interest on the Convertible Notes is not paid within ten (10) Business Days after the applicable Interest Payment Date, the Company must not pay dividends or return capital on its Shares until such time the outstanding interest on the Convertible Notes is paid in full.</p>
Voting rights	<p>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.</p>

5.4. Opening and Closing Dates of the Offer*

The following key dates are indicative only and may be subject to change without notice:

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 Underwriters 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 settlement basis	Friday, 30 January 2015

* Dates and times in this Prospectus are indicative only and subject to change. The Company in conjunction with the Underwriters, 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.

6. Overview of the Company

6.1. Business Overview

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

The Company separates its operations into two principal divisions:

a) Finance

This 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.

b) Payroll & Other

This 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 has the ability to sponsor and 'on-hire' foreign workers on 457 visas through an Australian Government Work Agreement negotiated with the Commonwealth of Australia which has recently expired but is currently being renegotiated (further details of this is provided in the section 11.4.4). This division also includes labour sourcing through recruitment agency panel management, project management and a migration practice.

Further details on each division are set out below.

6.2. Finance Division

Developed initially as a service extension to its existing labour-hire customer base, CML Group quickly realised that a broader commercial opportunity existed.

The Company has invested in people, processes and software necessary to allow it to compete with established providers and has expanded rapidly since commencing with its first customer in February 2012. The Company regularly markets to finance brokers, from whom over 70% of new business is referred.

A key aspect of the Company's business model is that the Company takes a close position to the 'end-debtor' as a risk mitigation strategy. The aim is to shift the risk from the finance client to the end-debtor of the finance client (i.e. the finance client's customers). This involves the following;

- Invoices are issued under CML Group's ABN (disclosed facility), meaning that invoices to the end-debtor are payable directly to CML Group.
- 'Managed service' provided, meaning collections activity with end-debtors is managed directly by CML Group, allowing for tight credit control and the opportunity for regular debt verification.
- Trade credit insurance in place against end-debtors, providing protection for CML Group and its clients against bad debts. Insurance cover is for 90% of the bad debt, less a \$5,000 excess, with any gap between the value of the bad debt and insurance claim being the responsibility of the client.
- Funding advanced to CML Group's client against any end-debtor is limited to the endorsed cover provided by the insurer.

6.2.1.Additional information on finance division contained in the Investor Presentation

Further detail on the financial performance and growth prospects for the finance division are contained in the investor presentation which is incorporated as section 7 of this Prospectus.

6.3. Payroll & Related Services (Payroll Division)

The Company purchased payroll firm Lester Associates in September 2011 for the purpose of diversifying its income and introducing the Lester services to its existing labour-hire customer base.

The purchased business offers:

- 'managed employment' of contract workers for clients that do not wish to engage these workers directly, and
- sponsorship and 'on-hire' of skilled foreign workers on 457 visas.

A recent addition to the service offering from the Payroll Division is an outsourced payroll solution for SME's, linked to the Finance Division to provide payment terms to the employer on reimbursement of wages to the Finance Division. Risk is mitigated through trade credit insurance placed against the Client.

6.3.1.Additional information on the payroll division contained in the Investor Presentation

Further detail on the financial performance and growth prospects for the payroll division are contained in the investor presentation which is incorporated as section 7 of this Prospectus.

CML Group

(ASX: CGR)

Investor Presentation

Daniel Riley – CEO

November 2014

CML Group

Payroll & Finance

Corporate Snapshot

Capital Structure	
Share price	\$0.185
Shares on issue	93,484,176
Market capitalisation	\$17.3m
Net Debt* (FY'14)	\$6.2m
EV	\$23.5m
EBITDA (FY'14)	\$2.43m
Underlying NPAT (FY'14)	\$1.27m

Historic Price & Volume Chart	
	
Nov-13	Feb-14
May-14	Aug-14

Register	
Board & Management	28%
Institutional	29%

Board & Senior Management		Shares
Greg Riley	Non-Executive Chairman	22,504,913
Daniel Riley	MD & CEO	3,129,761
Sue Healy	Non-Executive Director	206,060
Daniel O'Niele	Non-Executive Director	Nil
Ralph Stonell	CFO	76,173

* Company has no corporate debt and borrowings are for the purpose of lending, with the clients invoices taken as security

* Company has no corporate debt and borrowings are for the purpose of lending, with the clients invoices taken as security

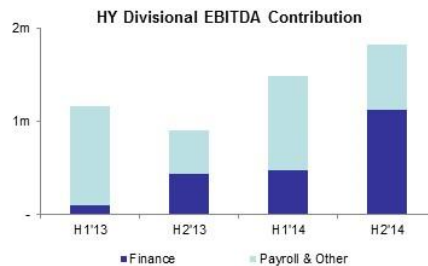
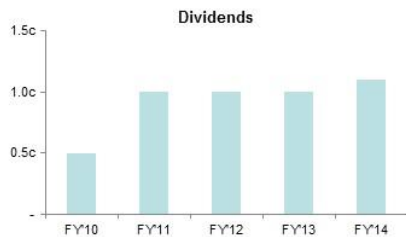
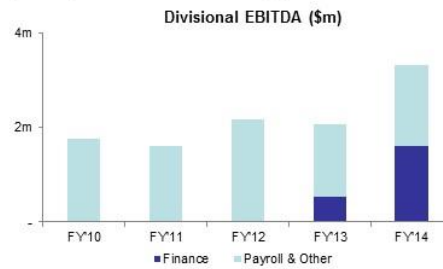
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CML Group

Payroll & Finance

Corporate Snapshot

CGR listed in 2010 and has traded profitably and paid dividends every year



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CML Group

Payroll & Finance

Business Overview

"CML Group delivers payroll, finance & employment solutions, enabling our clients to focus on and succeed in their core activities"

Finance

- Refers to 'factoring' or 'receivables finance' which 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 the customer (often 30 to 60 days)
- This is a flexible line of credit that is utilized in line with sales volume

Payroll & Other

- 'Managed employment' of contract workers for clients that do not wish to engage these workers directly, generally as they do not have the processes, systems, insurances or desire to employ directly
- To sponsor and 'on-hire' foreign workers on 457 visas through a Labour Agreement negotiated with Department of Immigration and Border Protection (DIBP)
- Includes labour sourcing through recruitment agency panel management, project management and a migration practice

earlypay

lesterassociates
A CareersMultiList company

CML
CareersMultiList

ZENITH
RECRUITMENT MANAGEMENT SERVICES

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CML Group

Payroll & Finance

Consolidated Income

- Substantial growth in FY'14, predominantly driven by Finance division loan book growth from \$4m at June 13 to \$12m at June 14
- Refined processes and installed industry-leading software in both divisions, which will build efficiencies aid further cost control during FY'15 and subsequent improvement to the profit margin
- Dividend payout ratio targeted at a minimum 50% of NPAT
- Dividends fully franked & DRP introduced for the final 2014 dividend

Y/E 30 Jun (\$m)	FY'13 A	FY'14 A	Δ
Finance	18.9	64.3	240%
Payroll & Other	81.8	75.1	(8)%
Group Revenue	100.8	139.4	38%
Finance	0.46	1.60	250%
Payroll & Other	1.51	1.65	10%
Corporate	(0.37)	(0.82)	
Group EBITDA	1.60	2.43	52%
<i>EBITDA Margin</i>	<i>1.59%</i>	<i>1.74%</i>	
NPAT (Reported)	0.77	1.11	45%
One-off costs		0.16	
NPAT (Underlying)	0.77	1.27	66%
<i>EPS (Reported)</i>	<i>1.23c</i>	<i>1.55c</i>	<i>26%</i>
<i>EPS (Underlying)</i>	<i>1.23c</i>	<i>1.78c</i>	<i>44%</i>
<i>DPS</i>	<i>1.0c</i>	<i>1.1c</i>	<i>10%</i>

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CML Group

Payroll & Finance

Consolidated Financial Position

- Strengthened balance sheet in FY'14, aided by equity raisings of \$5.75m
- Corporate debt has decreased from \$2.5m to nil
- Borrowings are for the purpose of lending, with the clients invoices taken as security
- Receivables growth relates to growth in the finance division's loan book and the corresponding invoices

Y/E 30 Jun (\$m)	FY'13 A	FY'14 A
Current Assets	11.1	25.7
Cash	1.5	0.5
Receivables & Other	9.6	25.3
Non-Current Assets	6.1	6.4
Property & Equipment	0.2	0.2
Deferred Tax Assets	0.7	0.9
Intangibles	5.2	5.4
Total Assets	17.3	32.2
Current Liabilities	13.1	21.9
Trade & Other	5.7	13.4
Borrowings	5.9	6.7
Provisions	1.4	1.8
Non-Current Liabilities	0.0	0.0
Total Liabilities	13.1	21.9
Net Equity	4.2	10.3

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CML Group

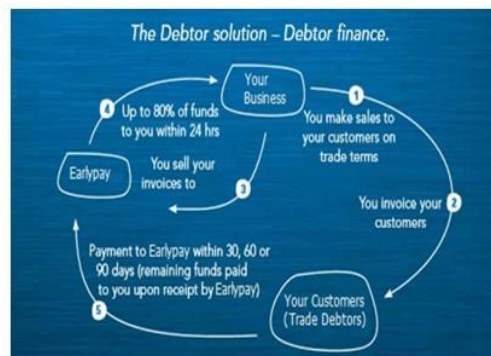
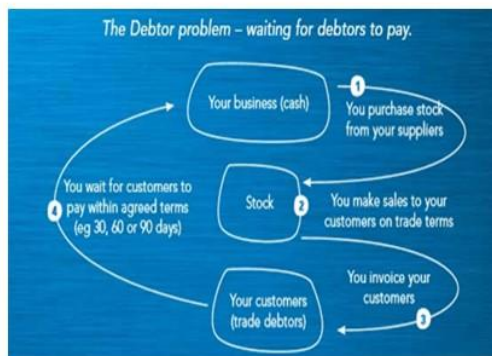
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Finance Division

CML Group

Payroll & Finance

The Debtor Solution



Mitigation of credit risk

- Invoices issued under CML's ABN (disclosed facility)
- 'Managed service' provided, meaning collections and payment allocations managed by CML
- Bad debt protection through trade credit insurance
- Funding against each debtor limited to the endorsed cover provided by the insurer
- We shift the risk from the finance client to the end-users of the finance client (i.e. the finance client's customers)

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CML Group

Payroll & Finance

Business Model

Gross return generated from loan book

- The gross return generated from the loan book is 35% annually (pre-tax and before any costs)
(based on 3.5% average fee on invoice value & 45 day debtor collection timeframe)

Example		
Face Value of Invoice	\$110	Invoice including GST
Financing Given	\$88	80% of Invoice
Fees Charged	\$3.85	1.95% of Invoice + 12% of Funding + other fees and charges
RoC	35%	Based on average debtor days of 45 ($\$3.85 \times 365 / 45 \text{ days} / 88$)

Costs excluded from Return

- Cost of funds is between 9% and 10% (unsecured facility)
- Cost of service delivery on new business is 5% (including trade credit insurance)

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CML Group

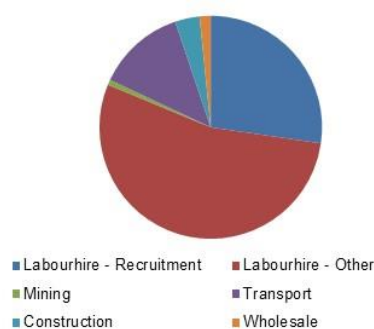
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Customer Information

Finance Division	
Loan Book Size	\$12m
Average Loan Size	\$304,500 (largest loan of \$2.5m)
Average Weighted LVR (Loan vs secured debtors)	74%

- Labour-hire is attractive as invoice disputes are rare with 'proof of debt' being an authorised timesheet or jobsheet from the client & attached to every invoice
- In addition to labour hire have gained traction with businesses invoicing in traffic control & security, transport, wholesale & business services

Finance Customer Industry Split – FY'14



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CML Group

Payroll & Finance

Performance

Y/E 30 Jun (\$m)	H1'14 A	H2'14 A	FY'14 A	FY'13 A	Δ
Revenue	24.23	40.04	64.28	18.91	240%
Gross Profit	0.94	1.75	2.69	0.74	266%
Gross Margin	3.89%	4.37%	4.19%	3.89%	
EBITDA	0.48	1.13	1.60	0.46	250%
EBITDA Margin	1.98%	2.82%	2.48%	2.43%	

Growth in loan book	Improving margins	Profit improvement on scale
<ul style="list-style-type: none"> Loan book growth of 200% from 30 Jun. '13 to 30 Jun. '14 Loan book growth rate in dollar terms is anticipated to increase as the division gains market recognition and broadens access to capital Anticipated 'funds out' at 30 Jun. '15 is > \$20m 	<ul style="list-style-type: none"> Broadening the customer base in FY'14 beyond labour-hire has provided improved margin opportunities Modifying the fee structure to charge at take-on and exit has bolstered margin 4.19% - average margin on invoices FY13 v's 3.89% for FY'13 	<ul style="list-style-type: none"> Fixed operating costs, including staff, is being diluted as the division gains scale Completion of software implementation in Jul. '14 will build efficiencies into service delivery and will allow growth without the need to employ at historical rates H2 FY'14 EBITDA margin 2.8% on invoices vs. 2.0% H1 FY'14

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Payroll & Finance

Loan Book

- With consideration to the Company's ability to secure appropriate funding, expect finance division's loan book from \$12m at 30 June 2014 to \$20m by 30 June 2015



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Payroll & Finance

Payroll & Other Division

CML Group

Payroll & Finance

Growth Opportunity

Established Services 'Steady'			Growth from Emerging Service			Focus on Cost Management		
<ul style="list-style-type: none"> Managed employment for Australian residents typically engaged on a contracted term Managed employment for skilled foreign residents Recruitment contract procurement & management 			<ul style="list-style-type: none"> Outsourced payroll for corporate clients, typically for their permanent workforce Optional 'payroll finance' where clients are offered payment terms on payroll reimbursement for an additional fee, dependent on trade credit insurance coverage 			<ul style="list-style-type: none"> Staffing & services realignment completed in H2'13 has provided a significant reduction in employment costs in FY'14 New payroll software installed during FY'14 anticipated to provide further ongoing efficiency gains 		
	FY'13	FY'14		FY'13	FY'14		FY'13	FY'14
Revenue	\$81.8m	\$75.1m	Payroll Finance	\$0.2m	\$7.7m			
EBITDA	\$1.5m	\$1.7m						

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CML Group

Payroll & Finance

Performance

Y/E 30 Jun (\$m)	FY'14 A	FY'13 A	Δ
Revenue	75.07	81.76	(8)%
Gross Margin	5.57	7.39	(25)%
Gross Margin	7.42%	9.04%	
EBITDA	1.65	1.51	10%
EBITDA Margin	2.20%	1.85%	

- FY'14 margin was affected by a change to Government legislation in H1 FY'13 that significantly reduced the availability of Living Away From Home Allowance (LAFHA) for skilled foreign workers on 457 visas
- This reduced the Payroll & Other Division's ability to offer salary packaging and with it a margin generating opportunity
- The Company has adjusted for the change, reducing its cost base in H2'13 and successfully launching a new outsourced payroll service offering for corporate clients

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Payroll & Finance

First Quarter & Outlook

CML Group

Payroll & Finance

Q1 Trading Update

- Unaudited results for Q1 show continued strong growth
- Finance continues to benefit from strong loan book growth
- Growth in the Payroll Division is anticipated as the push continues into the SME market of the recently developed outsourced payroll & finance offering

Y/E 30 Jun (\$m)	Q1 FY'14 A	Q1 FY'15 A	Δ
Revenue	28.31	45.06	59%
EBITDA	0.53	0.87	64%
EBITDA Margin	1.87%	1.93%	

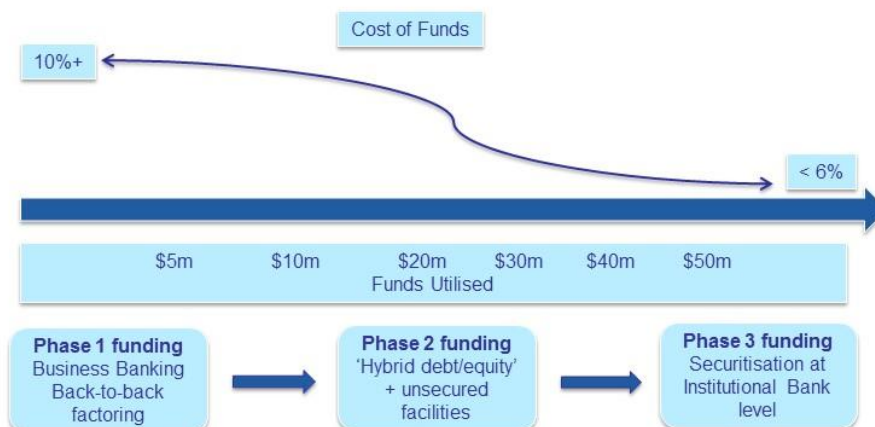
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Payroll & Finance

Capital Strategy

- Greatest challenge to growth is not sales, but ensuring that we have continued access to appropriate funding
- Goal is to reach the scale and attract wholesale funding of ~6%, which is expected with a loan book of \$40m+
- 3 phased approach to capital requirements, currently in phase 2 looking at unsecured debt facilities and debt/equity instruments



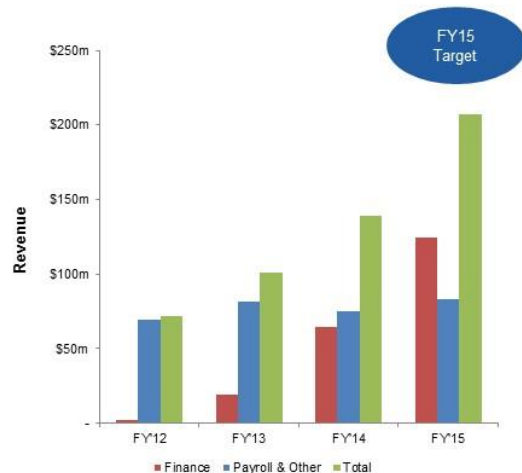
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Outlook

- Revenue expected to reach \$200m in FY'15 (2014: \$139m)
- Finance division to become the leading income stream + benefit of scale expected to be reflected in EBITDA margin, as relatively fixed costs are diluted on business volume
- Growth in the Payroll Division is anticipated as the push continues into the SME market of the recently developed outsourced payroll & finance offering



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CML Group

Payroll & Finance

Disclaimer

The information presented herein contains predictions, estimates and other forward looking statements that are subject to risk factors that are associated with the human resource management sector. The persons involved in or responsible for the production and publication of this report believe that the information herein has been obtained from reliable sources and that any estimates, opinions conclusions or recommendations are reasonably held at the time of compilation.

Although CML Group believes that its expectations are based on reasonable assumptions, it can give no assurances that its goals will be achieved.

Important factors that could cause results to differ materially from those included in the forward-looking statements include timing and extent of changes in the employment cycle, government regulation, changes to the number of preferred supplier agreements, reduction in franchise partner numbers and the ability of CML Group to meet its stated goals.

The purpose of this presentation is to provide background information to assist in obtaining a general understanding of CML Group's proposals and objectives. This presentation is not to be considered as a recommendation by CML Group or any of its subsidiaries, directors, officers, affiliates, associates or representatives that any person invest in its securities. It does not take into account the investment objectives, financial situation and particular needs of each potential investor. If you are unclear in relation to any matter or you have any questions, you should seek advice from an accountant or financial adviser.

November 2014

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CML Group

Payroll & Finance

8. Offer Details

8.1. The Offer

The Company hereby offers non-renounceable pro rata issue of approximately 10,387,131 Convertible Notes to be issued at a price of \$1.00 per Convertible Note on the basis of one (1) Convertible Note for every nine (9) Shares held by Eligible Shareholders on the Record Date to raise approximately \$10,387,131 (before costs of the Offer). The offer is partially underwritten up to \$5,000,000 by co-underwriters Halcyon Corporate Pty Ltd and Baillie Asset Management Ltd. The Company has appointed Halcyon Corporate Pty Ltd to place (after the entitlement period) any shortfall not taken up by existing shareholders or underwritten.

8.2. Non-Renounceable Offer

The Offer is non-renounceable, which means that the Entitlements are non-transferable and cannot be sold or traded, and Shareholders will not receive any value in respect of Entitlements that they do not take up or which they are ineligible to receive.

8.3. Shortfall

Any Entitlement not taken up under the Offer will form the Shortfall.

The offer of Convertible Notes under the Shortfall is a separate offer under the Prospectus and will remain open after the Offer has closed for a period determined by the Company and the Underwriters in accordance with the terms of the Underwriting Agreement.

The Directors reserve the rights to place Shortfall Offers in conjunction with the Underwriters, in their absolute discretion in accordance with the terms of the Underwriting Agreement. This includes the right to allocate any Shortfall to subscribers for Additional Convertible Notes.

The issue price of any Convertible Notes the subject of the Shortfall Offers shall be \$1.00 per Convertible Note, being the price at which the Offer is being offered to Shareholders pursuant to this Prospectus.

Applicants should only complete a Shortfall Application Form if directed to do so by either the Company or the Underwriters.

If you are directed to participate in a Shortfall Offer, please forward the completed Shortfall Application Form and your cheque for the appropriate application monies (\$1.00 per Convertible Note) by such date as directed by the Company or the Underwriters (as the case may be).

8.4. Application Forms are binding

A completed and lodged Application Form, together with the Application Monies for the number of Convertible Notes applied for, cannot be withdrawn (other than as permitted by law) and constitutes a binding application for the number of Convertible Notes specified in the Application Form on the terms set out in this Prospectus. The Application Form does not need to be signed to be binding.

If the Application Form is not completed correctly, the Company, in its absolute discretion, can reject it or treat it as valid. The Company's decision as to whether to accept or reject an Application Form or how to construe, amend or complete it, is final.

8.5. Minimum Subscription

There is no minimum subscription under the Offer. However as noted, the Offer is partially underwritten by the Underwriters, subject to the terms and conditions of the Underwriting Agreements.

8.6. Allotment of Convertible Notes

Allotment of the Convertible Notes under the Offer will take place in accordance with the requirements of the ASX Listing Rules.

Allotment of the Convertible Notes under the Shortfall Offer will take place as soon as practicable after the Shortfall Offer Closing Date.

Application Monies will be held in a separate subscription account until allotment. This account will be established and kept by or on behalf of the Company in trust for each Applicant. Any interest earned on the Application Monies will be for the benefit of the Company and will be retained by the Company irrespective of whether the issue takes place and each Applicant waives their right in respect of any interest.

In respect of the Shortfall Offers, the Directors will determine the allottees of all the Convertible Notes in conjunction with the Underwriters.

Where the number of Convertible Notes allotted under an Application Form is less than the number applied for, the surplus monies will be refunded by cheque as soon as practicable after the relevant Offer Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the relevant Offer Closing Date. Interest will not be paid on monies refunded.

8.7. ASX Listing

The Shares are currently quoted on ASX.

The Company will make an application to ASX on the date of this Prospectus for Official Quotation of the Convertible Notes offered pursuant to this Prospectus.

If approval is not granted by ASX within 3 months after the date of this Prospectus, the Company will not issue the Convertible Notes and will repay all Application Monies (where applicable) as soon as practicable, without interest.

A decision by ASX to grant Official Quotation of the Convertible Notes is not to be taken in any way as an indication of ASX's view as to the merits of the Company or the Convertible Notes.

Subject to approval being granted by ASX, it is expected that the Official Quotation and trading of Convertible Notes issued under the Offer will commence on ASX on a normal basis on Friday 30 January 2015.

Applicants who sell their Convertible Notes before they receive their holding statements will do so at their own risk. The Company disclaims all liability, in tort (including negligence), statute or otherwise, to persons who trade Convertible Notes before receiving their holding statements.

8.8. Eligible Shareholders

The Offer is an offer to Eligible Shareholders. Eligible Shareholders are those Shareholders who:

- a) are registered as Shareholders at 5.00pm (AEST) on the Record Date;
- b) have a registered address in Australia or New Zealand;
- c) are not in the US and are not US Persons, or acting for the account or benefit of, a US Person; and
- d) are eligible under all applicable securities laws to receive an offer under the Offer.

By returning a completed Entitlement and Acceptance Form or making payment by BPAY, persons claiming to be Eligible Shareholders will be taken to have represented and warranted that they satisfy each of the above criteria. The Company reserves the right to reject any Application that it believes comes from a person who is not an Eligible Shareholder.

The Company, in its absolute discretion reserves the right to determine whether a Shareholder is an Eligible Shareholder, or an Ineligible Shareholder and, therefore, unable to participate in the Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder or an Ineligible Shareholder.

It is the sole responsibility of each Applicant to ensure compliance with the laws of any country relevant to their Application.

Nominees, trustees and custodians must not apply on behalf of any beneficial holder that would not itself be an Eligible Shareholder. Shareholders who are nominees, trustees or custodians are, therefore, advised to seek independent advice as to how they should proceed. Shareholders who hold Shares on behalf of persons whose registered address is not in Australia or New Zealand are responsible for ensuring that accepting the Offer does not breach securities laws in the relevant overseas jurisdictions.

In limited circumstances and in the Company's absolute discretion, the Company may elect to treat as an Eligible Shareholder certain institutional or sophisticated Shareholders who would otherwise not be Eligible Shareholders because their registered addresses are not in Australia or New Zealand in circumstances where such Shareholders have satisfied the Company that their participation complies with all applicable laws.

8.9. Ineligible Shareholders

The Company is of the view that it is unreasonable to extend the Offer to Ineligible Shareholders, having regard to:

- a) the number of Ineligible Shareholders;
- b) the number and value of the Convertible Notes which would be offered to Ineligible Shareholders if they were Eligible Shareholders; and
- c) the cost of complying with the legal requirements, and requirements of the regulatory authorities, in the respective overseas jurisdictions.

Accordingly, the Offer is not being extended to any Shareholders with a registered address outside Australia or New Zealand, or to any Shareholder who is in the United States, or is acting for the account or benefit of, a US Person. The Company will send all Ineligible Shareholders details of the Offer and advise that the Company is not extending the Offer to Ineligible Shareholders.

8.10. Clearing House Electronic Sub-Register System ("CHESS") and Issuer Sponsorship

The Company will not be issuing certificates in respect of the Convertible Notes. The Company is a participant in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely on paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Convertible Notes issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (**HIN**) or Security Holder Reference Number (**SRN**) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.11. Options

The Company does not currently have any options to subscribe for Shares on issue.

8.12. Rights attaching to Convertible Notes and Shares

The rights attaching to the Convertible Notes are set out in the Terms of Issue, contained in Appendix A.

Upon conversion, the Convertible Notes will convert into Shares which will rank equally in all respects with Existing Shares.

8.13. Trustee and Trust Deed

Australian Executor Trustees Limited has agreed to act as trustee for the Noteholders. The Convertible Notes are issued subject to the terms and conditions contained in the Trust Deed. A summary of the Trust Deed is set out in Section 12.2.

8.14. Enquiries

Enquiries relating to this Prospectus should be directed to the Share Registry on 1300 855 080 (if calling within Australia) and +61 3 9415 4000 (if calling outside Australia).

9. Action required by Eligible Shareholders

9.1. Application for Convertible Notes

The Entitlement and Acceptance Form details the number of Convertible Notes to which an Eligible Shareholder is entitled. Eligible Shareholders may take any of the following actions (including a combination of the options):

- take up all or part of their Entitlement (see Section 9.2)
- apply for Additional Convertible Notes under the Shortfall (see Section 9.3)
- allow all or part of their Entitlement to lapse (see Section 9.4)

9.2. Take up all or part of your Entitlement

Eligible Shareholders who wish to take up all or part of their Entitlement should complete the accompanying personalised Entitlement and Acceptance Form in respect of that part of their Entitlement that they wish to take up in accordance with the instructions set out on that form and forward it, together with payment for the Convertible Notes (see Section 9.5) to:

**CML Group Offer
c/- Computershare Investor Services Pty Limited
GPO BOX 505
MELBOURNE VIC 3001**

Entitlement and Acceptance Forms must be received by no later than 5.00 pm AEST on Wednesday 21 January 2015.

9.3. Apply for Additional Convertible Notes

If you are an Eligible Shareholder you may, in addition to taking up all your Entitlement, apply for Additional Convertible Notes on the Entitlement and Acceptance Form. Additional Convertible Notes will only be available where there is a shortfall between Applications received from Eligible Shareholders, for their Entitlement and the number of Convertible Notes proposed to be issued under the Rights Issue.

If you are applying for Additional Convertible Notes, you only need to submit one completed Entitlement and Acceptance Form to the address set out in Section 9.2. Your accompanying cheque or bank draft should be for the full amount of your Application being:

- the amount payable in relation to your Entitlement
- the amount payable in relation to any Additional Convertible Notes for which you have applied.

The completed Entitlement and Acceptance Form, together with your cheque or bank draft for the Application Monies, must be received by no later than 5.00 pm AEST on Wednesday 21 January 2015.

While you are assured of receiving your Entitlement in full, allocations of Additional Convertible Notes may be scaled back by the Underwriters, in consultation with the Company, in their absolute discretion. There is no assurance that Eligible Shareholders will be allocated any Additional Convertible Notes.

If you are allocated a number of Additional Convertible Notes which is less than you applied for, you will be refunded excess Application Monies without interest. Any interest earned on Application Monies will be, and will remain, the property of the Company.

9.4. Allow all or part of your Entitlement to lapse

If you decide not to take up your Entitlement before 5.00 pm AEST on Wednesday 21 January 2015 then that part of your Entitlement not taken up ('Unallocated Rights') will become part of the Shortfall

for Eligible Shareholders. If your Unallocated Rights are not subscribed for in the Shortfall, then the underlying Convertible Notes may be subscribed for by the Underwriters in accordance with the Underwriting Agreements, or other investors as the Underwriters or Company may determine. In this event, you will receive no value for your Unallocated Rights.

If you do nothing, although you will continue to own the same number of Shares, your shareholding may be diluted on Conversion of any of the Convertible Notes.

9.5. Payment for Convertible Notes

Entitlement and Acceptance Forms must be accompanied by payment in full of \$1.00 per Convertible Note. Cheques must be in Australian currency, drawn on an Australian branch of an Australian bank, made payable to "CML Group Offer" and crossed "Not Negotiable". Do not forward cash or money orders. Receipts for payment will not be issued.

Alternatively, Shareholders may pay via BPAY by following the instructions set out in the Entitlement and Acceptance Form (Applicants should ensure they include their reference number if paying by BPAY).

Application Monies will be held on trust for Applicants until issue of the Convertible Notes. Interest earned on Application Monies will be for the benefit of the Company and will be retained by the Company whether or not Convertible Notes are issued.

10. Rights Attaching to Convertible Notes and Shares

10.1. Convertible Notes

The rights attached to the key terms of the Convertible Notes are set out in the Terms of Issue contained in Appendix A.

10.2. Shares

Upon conversion, the Convertible Notes will convert into Shares. The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of a Shareholder in the Company. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to the Company's Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

a) General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.

b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of shareholder or classes of shareholders:

- 1) Each shareholder entitled to vote may vote in person or by proxy, attorney or representative.
- 2) On a show of hands:
 - a. if a member has appointed two proxies, neither of those proxies may vote;
 - b. a member who is present and entitled to vote and is also a proxy, attorney or representative of another member has one vote;
 - c. subject to 2(a) and 2(b), every individual present who is a member, or a proxy, attorney or representative of a member, entitled to vote has one vote.
- 3) On a poll, every member entitled to vote who is present in person or by proxy, attorney or representative,
 - a. has one vote for every fully paid share held; and
 - b. for every partly paid share held has a fraction of a vote equal to the proportion paid to the total issue price of the share subject to any ASX Listing Rule requirements or the terms of the shares issued.
- 4) If there are joint holders of a share, any one of them may vote at a meeting of members, in person or by proxy, attorney or representatives. If more than one of the joint holders of a share are present at a meeting of members, in person or by proxy, attorney or representative, and tender a vote in respect of the share, the Company may only count the vote cast by, or on behalf of, the most senior person listed in the Register (in this case seniority is the order in which the names of the joint holders are listed in the Register).

c) Dividend Rights

Under the Constitution, Dividends must be paid out of profits. Before paying any dividend to members, the Board may set aside out of the profits of the Company reserves to be applied,

in the Board's discretion for any purpose it decides or carry forward any amount of profits which the Board decides not to distribute without transferring that amount to a reserve or both. The Directors may from time to time declare a dividend to be paid to Shareholders entitled to the dividend. Subject to the terms of issue of the shares, the Company may pay a dividend on one class of shares to the exclusion of another class. However, there is currently only one class of shares.

d) Winding-Up

The surplus assets of the Company remaining after payment of its debts are divisible among the members in proportion to the number of fully paid shares held by them, and for this purpose a partly paid share is counted as a fraction of a fully paid share equal to the proportion which the amount paid on it bears to the total issue price of the share.

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such values as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the shareholder or different classes of shareholders. The liquidator may, with the authority of a special resolution, vest the whole or part of any property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no shareholder is compelled to accept any shares or other securities in respect of which there is any liability.

e) Transfer of Shares

Generally, shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

f) Changes in Capital Structure

Changes to capital structure may, by ordinary resolution and subject to the Corporations Act and the Listing Rules:

- 1) Increase its share capital by the issue of new shares of such amount as is specified in a resolution, including preference shares with rights as set out in the Schedule to the Constitution unless a variation is approved by Special Resolution;
- 2) Consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares;
- 3) Convert an ordinary share into a preference share or a preference share into an ordinary share;
- 4) Reduce its share capital in accordance with the s32.5 of the Constitution; and
- 5) Cancel shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or have been forfeited and reduce its share capital by the amount of the shares cancelled.

g) Variation of Rights

If at any time the share capital is divided into different classes of shares, the rights attached to any class unless otherwise provided by the terms of issue of the shares of that class, whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued shares of that class, or if authorised by a special resolution, passed at a separate meeting of the holders of the shares of that class.

h) Constitution

The Constitution can only be amended by a special resolution (that is a resolution that has been passed by at least three-quarters of the votes cast by the Shareholders entitled to vote on a resolution). Whilst the Company is listed, at least 28 days' written notice of a meeting to consider a special resolution must be given.

11. Risk Factors

11.1. Introduction

The activities of the Company, as in any business, are subject to risks which may impact on its future performance. The Company has appropriate actions, systems and safeguards for known risks, however, some are outside its control. The principal risk factors are described below.

You should carefully consider the risks and uncertainties set out below and the information contained elsewhere in this Prospectus before you decide whether to apply for Convertible Notes.

The Convertible Notes offered by this Prospectus should be considered speculative.

11.2. General Risks

General risk factors outside the control of the Company which may have a significant impact on the future performance of the Company or the Convertible Notes include but are not limited to the following:

- economic conditions in Australia and internationally which may have a negative impact on capital markets;
- a slowdown in emerging markets, including China which may impact economic growth in Australia;
- changes in investor sentiment and perceptions in local and international stock markets;
- changes in interest rates, exchange rates and the rate of inflation;
- changes in domestic or international fiscal, monetary, regulatory and other government policies; and
- geo-political conditions such as acts or threats of terrorism, military conflicts or international hostilities.

In addition, investors should note that the Convertible Notes will be listed on ASX. However, there can be no guarantee that there is or will be an active market in the Convertible Notes or that the price of the Convertible Notes will increase. It is likely that at least in certain periods, liquidity in the market for the Convertible Notes will be limited. The price at which the Convertible Notes trade on ASX may be affected by the financial performance of the Company and by external factors over which the Directors and the Company have no control.

There can be no guarantee that the Company's Shares will trade at or above the conversion price (being a fixed price of \$0.25) of the Convertible Notes. It should also be noted that the historic share price performance of the Company's shares provides no guidance as to its future performance or the market performance of the Convertible Notes.

11.3. Specific risks associated with investing in the Convertible Notes

11.3.1. Interest payments

The Company expects to make interest payments using available cash balances and cash flow from its operating business. The Company's ability to generate cash flows from its operations will depend substantially on the performance of the finance division. The interest payments on the Convertible Notes are not guaranteed by the Company, the Trustee or any other entity.

11.3.2. Interest rate risk

Interest on the Convertible Notes is fixed at 9.00 per cent per annum payable semi-annually in arrears. No adjustment will be made to the rate of interest paid if other market based interest rates rise or fall. The market price of the Convertible Notes on ASX may fluctuate due to changes in

interest rates generally, credit spreads on other corporate securities or investor sentiment towards the Company.

11.3.3. Financial market conditions

The market price of the Convertible Notes will fluctuate due to various factors, including worldwide economic conditions, interest rates, credit spreads on other corporate securities, general movements in the Australian and international equity markets, movements in the market price of ordinary shares in the Company, factors which may affect the Company's financial position and earnings and investor sentiment.

The market price of the Convertible Notes may be more sensitive than that of the ordinary shares to changes in interest rates, and the Convertible Notes could trade on ASX at a price below the issue price. Any shares held as a result of any conversion of the Convertible Notes will, following conversion, rank equally with existing ordinary shares. Accordingly, their value after any conversion date will depend upon the market price of ordinary shares.

11.3.4. Volatility of market price of ordinary shares in the Company

The market price of the Company's ordinary shares on ASX may be volatile. The volatility of the market price of the ordinary shares may cause volatility in the price of the Convertible Notes and affect the ability of holders of the Convertible Notes to sell the Convertible Notes at an acceptable price. Additionally, this may result in greater volatility in the market price of the Convertible Notes than would be expected for non-convertible debt securities.

11.3.5. Liquidity

The market for the Convertible Notes is likely to be less liquid than the market for ordinary shares. There can be no assurance that investors will be able to buy or sell the Convertible Notes on ASX. The Company will seek quotation of the Convertible Notes on ASX to permit on market trading of the Convertible Notes.

11.3.6. Redemption risk

The Company expects to be able to redeem the Convertible Notes using the proceeds from future debt or equity raisings or cash flows from operations (if available). There is a risk that the Company will be unable to procure or raise sufficient cash resources from future debt or equity raisings and would, in that case, have insufficient cash flows to redeem the Convertible Notes at the Maturity Date. None of the Company, the Trustee or any other entity have guaranteed the redemption of the Convertible Notes.

11.3.7. Early conversion

Convertible Notes may be converted early by the Company in certain circumstances. In the event of an early conversion of Convertible Notes, you may not receive the returns you expected to achieve on your Convertible Notes (if held until maturity) by investing the proceeds in alternative investment opportunities available at that time.

11.3.8. Conversion

The ordinary shares held by holders of the Convertible Notes following conversion will have the same rights as other ordinary shares, which are different from the rights attached to the Convertible Notes. The market price of the ordinary shares may fluctuate over time as a result of a number of factors.

11.4. Specific risks associated with an investment in the Company

11.4.1. Cash flow financing (factoring) business risks

Cash flow financing should be viewed by investors as relatively high risk. The Company therefore can be seen as being in the business of managing finance risk. The prevention of bad debts includes the monitoring of the health of both the Company's cash flow finance clients and the capacity of end-user debtors to repay.

The Company has a process in place when bringing on new clients which has been designed to minimise the risk of bad debts. This process involves the Company:

- conducting credit checks on new clients;
- verifying the new client's debtor ledger;
- requiring the client to enter into an Invoice Finance Facility Agreement (discussed further below); and
- requiring the new client to grant to the Company a security interest over certain secured property in order to secure the payment of secured monies.

The Invoice Finance Facility Agreement provides a contractual right to the Company to set-off against any money which is owed by the Company to a customer against any money owed by the customer to the Company. The Invoice Finance Facility Agreement also provides a contractual right to the Company to withhold payment to the client in circumstances where the client owes money to the Company (for example, a previously paid invoice has not been paid by the end debtor).

The Company also holds a Trade Credit Insurance Policy. Under the terms of the insurance policy the insurer will pay up to 90% of the invoice value of the bad debt less GST less an excess fee. To the date of this Prospectus the Company has incurred two bad debts to the value of approximately \$90,000. The Company made a successful claim for both bad debts under the Trade Credit Insurance Policy receiving a payment of approximately \$81,000. Whilst to date the Company has incurred only two bad debts there is a risk that as the factoring business of the Company grows so too will the gross level of bad debts.

Despite the above processes, there are still risks that bad debts can eventuate. It was disclosed in the Company's Annual Report that in August 2014, the Company appointed a receiver to a customer of its finance division. The current amount owing to the Company by that customer is \$440,000, which will be 100% recoverable through asset sales, insurance and an agreement with the Company's directors Greg and Daniel Riley to underwrite any shortfall.

The Company is relatively new to the Australian cash flow financing market. The Company took on its first customers in 2012. There is a risk that the Company does not have the experience through a full economic cycle. Additionally, competition in the factoring finance market is strong, with many clients utilising brokers to find the best terms. Further, a number of new players have entered the market in recent years and banks funding for the sector has also increased.

11.4.2. Management actions

The Directors of the Company will, to the best of their knowledge, experience and ability (in conjunction with their management) endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, but without assuming any personal liability for same, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the Company and the market price of its securities.

11.4.3. Key personnel

The responsibility of overseeing the day to day operations of the Company depends on its management and its key personnel. The Company has an executive team of 6, with tenure averaging 6.5 years. On 18 November 2014 the Company announced that the Chairman had resigned, Greg Riley had assumed the role of Chairman on an interim basis and Daniel Riley had subsequently agreed to remain as Managing Director and CEO for a further 3 years. Both Daniel Riley and Greg Riley have been with the Company since its commencement in 2002.

On 9 December 2014 the Company announced that Daniel O'Neile had retired as a Director of the Company.

The Company is currently undertaking a board renewal process with the intention of adding new directors with strong expertise in capital markets and invoice finance. This process has commenced, with Richard Farrington appointed to the board as a non-executive director at the date of this prospectus.

There is a risk that the Company may not be able to secure personnel with the relevant experience at the appropriate time which may impact on the Company's ability to complete all of its planned growth initiatives. Furthermore, no assurance can be given that there will be no adverse effect on the Company if one or more of the existing Directors or management personnel cease their employment or engagement with the Company.

11.4.4. Contractual risk

The Company's ability to efficiently conduct its operations relies on the terms of its existing contractual arrangements. As in any contractual relationship the ability for the Company to ultimately receive benefits from these contracts is dependent upon the relevant third party complying with its contractual obligations. To the extent that any such third party defaults in its obligations, it may be necessary for the Company to enforce its rights under any of the contracts and pursue legal action. Such legal action may be costly and no guarantee can be given by the Company that a legal remedy will ultimately be granted on appropriate terms.

Certain material contracts of the Company's (including contracts with major customers) contain provisions which allow for early termination or termination for convenience. If a third party exercises its rights in relation to early termination, there is no guarantee that a suitable replacement arrangement will be entered into by the Company. Accordingly early termination of certain contracts could have an impact on earnings or cause disruption to the business.

It is noted that the Australian Government Work Agreement, which underpins the Payroll Division of the Company as set out in section 6 of this Prospectus, has expired. The Company is currently applying for a new agreement which it expects to be successful. The Company expects the application to be granted by 1 December 2014. There is however a risk that the Australian Government may not grant a new agreement or that there may be delays to granting the new agreement.

11.4.5. Availability of funding

The Company's ability to effectively implement its business strategy over time (particularly in the finance division) is dependent on the Company's ability to secure sufficient funding. The Company is aware of the need to secure additional funding to implement its growth initiatives. At the date of this Prospectus the Company has an arrangement with Greensill for a back-to-back invoice facility with a maximum total liability not to exceed \$10 million. The Company fully retired the NAB back-to-back invoice facility in the first week of November 2014 using a portion of the remaining capacity available under the Greensill facility. There can be no assurance that any such equity or debt funding will be available to the Company on favourable terms or at all. In particular with respect to the Company's finance division, if adequate additional funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures. Further, if existing funding relationships cease, and replacement funding is not available on the same or similar terms, earnings are likely to be negatively impacted.

11.4.6. Repayment of Greensill back-to-back invoice facility

The nature of the Greensill back-to-back invoice facility is a series of individual loans within an overarching facility limit of \$10 million. Each loan has a maturity date matching the underlying invoicing arrangements between the Company and its customers. Each loan is repayable by the Company to Greensill on the maturity date irrespective of whether the end-debtor has paid the underlying invoice or not. If the Company fails to pay the loan on the maturity date then all amounts outstanding to Greensill become immediately due and payable.

11.4.7. Regulatory risk and government policy

Changes in relevant taxation, interest rates, other legal, legislative and administrative regimes and Government policies in Australia and in other markets in which the businesses of the Company do and will operate, may have an adverse effect on the assets, operations and ultimately the financial performance of the Company and the market price of its securities. In particular, any changes to legislation or policy in financial services or credit lending may have an adverse effect on the assets, operations and ultimately the financial performance of the Company and the market price of its securities. As described in the Investor Presentation contained in Section 7, the Company's FY14

margin was affected by a change to legislation concerning Living Away From Home Allowance for skilled foreign workers on 457 visas.

11.4.8. Insurance arrangements

The Company maintains insurance within ranges of coverage that the Company believes to be consistent with industry practice and having regard to the nature of activities being conducted. However, no assurance can be given that the Company will be able to continue to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any such claims.

11.4.9. Operational risks and costs

The Company's current business is exposed to operational risks present in the current business including risks arising from system failure, failure of security and physical protection systems, customer services, staff skills and performance, and property maintenance. Operational risk has the potential to have a material adverse effect on the Company's financial performance and position and reputation as well as the price of its securities. The Company will endeavour to take appropriate action or obtain appropriate insurance to mitigate these risks, however, certain residual risk will remain with the Company.

11.4.10. Business risks

There are risks inherent in doing business, such as unexpected changes in regulatory requirements, trade barriers, longer payment cycles, problems in collecting accounts receivable, network and infrastructure issues and potentially adverse tax consequences, any and all of which could adversely impact on the success of the Company's operations and the market price of its securities.

11.5. Other risks

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's securities. The above factors, and others not specifically referred to above, may materially affect the financial performance of the Company and the value of its securities, including the Convertible Notes.

12. Material Contracts

A summary of the material contracts to which the Company is a party relevant to the offer and not otherwise disclosed to ASX is set out below:

12.1. Underwriting Agreements

CML Group has entered into underwriting agreements with both Halcyon Corporate Pty Ltd and Baillie Asset Management Ltd (**the Underwriters**) on 18 December 2014 to partially underwrite the Offer up to \$5,000,000, representing 5,000,000 Convertible Notes or 48.1% of the Offer.

The terms of the underwriting agreements between:

- a) Halcyon Corporate Pty Ltd and the Company; and
- b) Baillie Asset Management Ltd and the Company,

are identical. Both Halcyon Corporate Pty Ltd and Baillie Asset Management Ltd have agreed to underwrite \$2,500,000 each.

Set out below is a summary of the material terms of the Underwriting Agreements.

Fees Payable

Halcyon Corporate Pty Ltd will be paid by the Company:

- a) 1% management fee on the total underwritten amount (\$5,000,000);
- b) 4% underwriting fee on the amount underwritten by Halcyon Corporate Pty Ltd (\$2,500,000); and
- c) 5% fee of the amount of any shortfall Convertible Notes that Halcyon Corporate Pty Ltd places after the entitlement period which are not taken up by existing shareholders or underwritten.

Baillie Asset Management Ltd will be paid by the Company 4% underwriting fee on the amount underwritten by Baillie Asset Management Ltd (\$2,500,000).

Indemnities

The Company has agreed to indemnify the Underwriters in respect of all costs of and incidental to the Offer, and indemnify the Underwriters and its related parties against all liabilities, losses, damages, costs or expenses arising out of the Prospectus and associated documents to the Offer or the Offer.

Termination of underwriting agreements

The Underwriting Agreements provide that the Underwriter (as is applicable) may terminate its obligations to underwrite the Offer upon the happening of the following:

- a) the index number of the All Ordinaries index (of 500 ASX companies, having the identifying letters "XAO") or the Dow Jones Industrial Average is at any time more than the market fall percentage (being 5.0 %) below its level as at the close of business on the Business Day immediately preceding the date of the Underwriting Agreement;
- b) a new circumstance has arisen since the Prospectus was lodged that would in the reasonable opinion of the Underwriter be required by section 711 and either section 710 or section 713 of the Corporations Act (as applicable) to be included in the Prospectus if it had arisen before the Prospectus was lodged;
- c) the Company makes default under or is in breach of any of its material obligations under the Underwriting Agreement and following consultation between the Company and the Underwriter, that failure is not remedied within 5 Business Days afterwards;

- d) any warranty or representation by the Company in the Underwriting Agreement ceases to be true in any material respect and, following consultation between the Company and the Underwriter, the matters rendering the warranty untrue are not remedied within 5 Business Days afterwards;
- e) any material adverse change occurs in the financial position of the Company;
- f) any director or Officer of the Company named in the Prospectus dies or is charged with or convicted of an indictable offence;
- g) any material statement in the Prospectus is found to be or becomes misleading or deceptive or there is found to be a material omission from the Prospectus of material required by section 711 and either section 710 or section 713 of the Corporations Act (as applicable);
- h) the adoption or announcement by or on the authority of the government of the Commonwealth of Australia of:
 - 1) any future change in fiscal or monetary or taxation policy which would materially and adversely affect companies generally or the Company in particular or investment in stocks and shares in Australia including but not limited to any change which is likely to materially and adversely affect interest rates not already announced or anticipated as at the date of the Underwriting Agreement; or
 - 2) any law or prospective law or other measure having the effect of restraining capital issues, corporate profits or foreign investment,
 and which, in either case, would materially and adversely affect the Offer;
- i) any person who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
- j) any information supplied at any time by the Company (or any person on its behalf) to the Underwriter in respect of any aspect of the Offer is or becomes false or misleading;
- k) any of the results of investigations of the Company or of any subsidiary conducted pursuant to the Company's due diligence program and verification material is or becomes false or misleading;
- l) any material contravention by the Company or an Officer of any of them of any provision of the Corporations Act, or the Listing Rules or any requirement of ASX or the ASIC or any governmental agency;
- m) a resolution is passed or an order made by a Court of competent jurisdiction for the winding up of the Company, other than an order for the purpose of reconstruction or amalgamation made with the prior consent of the Underwriter;
- n) a receiver or receiver and manager is appointed to all or any part of the assets or undertaking of the Company;
- o) the Company enters into any scheme of arrangement with its creditors or any class of them or indicates its intentions to do so;
- p) the Company suspends payments of its debts or is unable to pay its debts within the meaning of the Corporations Act;
- q) the Company is placed under external administration or an external administrator is appointed;
- r) a provisional liquidator is appointed to the Company;
- s) an inspector is appointed pursuant to the Corporations Act or any other law to investigate all or any part of the affairs of the Company;

- t) the Company fails to furnish a certificate in accordance with the requirements of clause 7.1 of the Underwriting Agreement; or
- u) there is an outbreak of hostilities (whether or not war has been declared) not presently existing or a major escalation in existing hostilities occurs involving any one or more of the Commonwealth of Australia, the United States of America, any former Republic of the USSR, a member state of the European Union, the Peoples Republic of China, Taiwan, Japan, Indonesia, Iran or Iraq.

If any one or more of the events listed above occurs after the date of the Underwriting Agreements and subject to the good faith obligation outlined below, the Underwriter (as applicable) may by written notice to the Company and without cost or liability to the Underwriter terminate or cancel the Underwriting Agreement and be relieved of all of its obligations under the Underwriting Agreement.

The Underwriter may not exercise its rights to terminate the Underwriting Agreement in respect of any of the events listed above unless, in the opinion of the Underwriter reached in good faith and acting reasonably, the event has or could have a materially adverse effect on the success of the Offer.

12.2. Convertible Notes Trust Deed

The Trust Deed governs the terms and conditions on which the Convertible Notes are to be issued and is subject to the Corporations Act and the ASX Listing Rules. Details of the Terms of Issue are set out in Appendix A of this Prospectus.

The following is a summary of the key terms of the Trust Deed only. To obtain a complete understanding of the Trust Deed it is necessary to read it in full. A complete copy of the Trust Deed is available for inspection without charge during normal office hours at the registered office of CML Group.

Except where expressly provided to the contrary:

- a) a reference to the Trustee is a reference to the Trustee in its capacity as trustee of the trust created by the Trust Deed only, and in no other capacity; and
- b) a reference to the undertaking, assets, business, money or any other thing of or in relation to the Trustee is a reference to such undertaking, assets, business, money or other thing of or in relation to the Trustee only in its capacity as trustee of the trust created by the Trust Deed, and in no other capacity.

The Trust Deed provides that the Trustee holds the following on trust for the benefit of the Noteholders:

- a) the Transaction Documents (as defined);
- b) the right to enforce CML Group's duty to repay the Convertible Notes or pay the interest on the Convertible Notes;
- c) the right to enforce all other duties of the Company under the Terms of Issue, the provisions of the Trust Deed and Chapter 2L of the Corporations Act; and
- d) any other trustee powers (as set out in clause 6 of the Trust Deed) and any other property which the Trustee may receive or which may be vested in the Trustee.

Event of Default

Upon the occurrence of an Event of Default, and subject to certain conditions being met, the Noteholders have the powers to direct the Trustee in accordance with the Trust Deed and Terms of Issue, to enforce any provision of the Trust Deed or the obligation to repay the Convertible Notes or the interest thereon.

Status of the Convertible Notes

Nothing in the Trust Deed prevents CML Group from issuing or incurring further indebtedness, whether secured or unsecured or ranking in priority to the Convertible Notes. However CML Group must notify the Trustee of such a proposal prior to proceeding with the proposal.

Meetings convened by Noteholders

The Company must convene a meeting on the written application of Noteholders holding 10% or more of the Convertible Notes. The Noteholders must state the object of the Meeting and terms of any proposed resolution.

General Covenants

The Company covenants to:

- a) pay to the Trustee for the account of the Noteholders, all amounts due on or in respect of the Convertible Notes as and when they are due;
- b) not, if (for any reason) interest is not paid within 10 Business Days after the Interest Payment Date when the interest becomes due and payable pay dividends or return capital on its Shares until such time as the outstanding interest is paid in full;
- c) comply with the terms of the Trust Deed and the Terms of Issue, its obligations under the Corporations Act, Privacy Act, United States Foreign Account Tax Compliance Act, the ASX Listing Rules, the ASX Settlement Operating Rules, any conditions or obligations imposed by ASX in connection with the Convertible Notes;
- d) notify the Trustee and ASX of the interest rate and interest payable per Convertible Note and any amendments as soon as practicable;
- e) notify the Trustee promptly after it becomes aware of a breach by the Company of any obligation of the Trust Deed, Chapter 2L of the Corporations Act or the Terms of Issue;
- f) do all things which are required to be done to enable the Trustee to comply with the Trustee's obligations under the Trust Deed, the Corporations Act, the ASX Listing Rules, and the ASX Settlement Operating Rules;
- g) provide to the Trustee:
 - 1) copies of all reports and releases made to ASX; and
 - 2) all other information or reports required to be provided to the Trustee under the Corporations Act or requested by the Trustee which is reasonably required for the purposes of the discharge of duties, trusts and powers of the Trustee.
- h) make all its financial and other records available for inspection by the Trustee, an officer or employee of the Trustee or a registered company auditor of the Trustee;
- i) provide the Trustee with written details of any security interest created by the Company, within 21 days of it being created;
- j) carry on and conduct its business in a proper and efficient manner; and
- k) furnish to the Trustee any information which the Trustee or the Company are required to furnish to a Government Agency.

Financial and Reporting Covenants

The Company must:

- a) provide to the Trustee:
 - 1) within 120 days after the close of each financial year, a copy of the Company's audited Financial Statements in respect of that financial year; and
 - 2) within 75 days after the close of each financial half-year, a copy of the Company's Financial Statements in respect of that half year reviewed in accordance with the Corporations Act and the requirements of the Listing Rules;
- b) ensure that any Financial Statements provided to the Trustee:
 - 1) comply with current accounting practice except to the extent disclosed in them and with all applicable laws; and
 - 2) give a true and fair view of the matters with which they deal.

Remuneration of Trustee

The Company must pay to the Trustee:

- a) a fee for the Trustee's services or such remuneration agreed between the parties;
- b) any additional remuneration commensurate with any additional duties and responsibilities performed or undertaken by the Trustee;

and falling which it may deduct any such fees from the property of the Trust.

As at the date of this Prospectus, the fees payable by the Company to the Trustee to act as trustee are governed by terms of a fee letter dated 5 August 2014.

Trustee's Powers and Duties

Subject to the Trust Deed, the Trustee has all the powers legally possible for a natural person or corporation to have in connection with the exercise of its powers under the Trust Deed.

The Trustee has the power to:

- a) exercise and discharge its rights, powers and discretions under the Trust Deed in any manner it thinks fit, subject to applicable law;
- b) enter into the Transaction Documents; and
- c) invest all moneys received by the Trustee that is not required to be immediately applied in accordance with the Trust Deed into a bank or other deposit taking institution which has a short term credit rating of not less than A-1 and invest in any security which has a short term credit rating of not less than A-1, and the Trustee may vary such investment.

The Trustee must comply with its duties under the Corporations Act.

The Trustee:

- a) has no obligation to exercise, or to exercise in a particular way, any of its rights, powers or discretions unless it is validly directed to do so by a Meeting of Noteholders; its liability is limited; and it is indemnified and it holds sufficient Trust assets;
- b) must not interfere with the conduct of the ordinary business of the Company unless specifically provided for in the Terms of Issue or required to do so under the Corporations Act;

- c) has no responsibility in respect of moneys subscribed by applicants for Convertible Notes; and
- d) has no responsibility for the form or contents of the Trust Deed and will have no liability arising as a result of or in connection with any inadequacy, invalidity or unenforceability of any provision of the Trust Deed insofar as it applies to the Trustee or to any representation or warranty given by the Trustee.

Retirement and Removal of Trustee

The Trustee may retire at any time by giving not less than forty five (45) days' notice in writing (or such shorter period as the Trustee and the Company may agree), provided that a new trustee company is appointed in that time.

The Company may remove the Trustee from office by notice in writing if:

- a) the Trustee is in material breach of its obligations and has not rectified the breach within twenty (20) Business Days of receipt of the notice in writing;
- b) the Trustee ceases to carry on business;
- c) the Trustee is placed in liquidation, is wound up or dissolved;
- d) a receiver, receiver and trustee, official trustee, liquidator, administrator or similar official is appointed to the Trustee;
- e) any licence, consent, Authorisation, permit or similar thing the Trustee is required to hold to carry out its obligations and duties under or in respect of the Trust Deed is revoked or not renewed;
- f) any of the things referred to in section 283BD of the Corporations Act have occurred;
- g) the Trustee ceases to be a person who can be appointed a trustee under section 283AC(1) of the Corporations Act;
- h) the Trustee cannot continue to act as Trustee because of the operation of section 283AC(2) of the Corporations Act; or
- i) the Company is authorised or requested to do so by an ordinary resolution passed at a Meeting of the Noteholders.

Amending the Trust Deed

The Trustee, by agreement with the Company, has the power to amend the terms of the Trust Deed if:

- a) the Company and the Trustee are each of the opinion that such amendment is of a formal or technical nature or is made to correct a manifest error;
- b) the Company and the Trustee are each of the opinion that such amendment is:
 - 1) necessary to comply with the provisions of any law or regulation or any requirement of any Governmental Agency;
 - 2) necessary to comply with the applicable ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Company may propose to seek or retain a listing or quotation of the Convertible Notes; or
 - 3) necessary or expedient for the purpose of enabling the Convertible Notes to be offered for subscription or for sale under the laws for the time being in force in any place,

and the Company has provided to the Trustee or the Trustee has obtained a legal opinion in

form and substance satisfactory to the Trustee (acting reasonably), addressed to the Trustee or otherwise able to be relied on by the Trustee from legal advisers of recognised standing in New South Wales opining that such amendment (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) is otherwise not materially adverse to the rights of Noteholders; or

- c) except as otherwise provided in paragraph (1) or (2) above, if such amendment is approved by an ordinary resolution of the Noteholders, in the case of any provision of the Trust Deed or, where the Noteholders give a direction to the Trustee by a Special Resolution, if a Special Resolution is passed in favour of such amendment and the direction to amend the Trust Deed is provided by the Noteholders to the Trustee.

Meetings of Noteholders

The Trustee or the Company may call a meeting of Noteholders at any time. The Company must convene a meeting if requested in writing to do so by Noteholders holding 10% or more of Convertible Notes.

Each Noteholder is entitled to ten (10) Business Days' notice of a meeting, and in the case of a special resolution, fifteen (15) Business Days' notice.

At any meeting a quorum for the transaction of business shall be formed by at least 5 persons holding or representing by attorney, representative or proxy at least 10% of the Convertible Notes.

At any meeting, a resolution may be decided by a show of hands unless a poll is demanded or it is required by the Trust Deed or by law that the question be decided by a majority which is to be measured by a percentage of the votes cast by those present. On a show of hands, each Noteholder who is present is entitled to one vote for each Convertible Note and on a poll, each Noteholder who is present is entitled to vote one vote for each Convertible Note held.

The Meeting of Noteholders may exercise the following powers by Special Resolution only:

- a) power to authorise the Trustee to take or to refrain from taking any action which may be taken by the Trustee under any express or implied power or authority howsoever conferred;
- b) power to sanction the release by the Trustee or the Company from any obligation under the Trust Deed either unconditionally or upon such conditions as the Trustee may arrange with the Company;
- c) power to sanction agreement by the Trustee to any modification or compromise of any of the rights of all the Noteholders against the Company;
- d) power to authorise the Trustee to agree to the postponement of the repayment of the principal secured in respect of any part of the Convertible Notes beyond their due dates and to the suspension or postponement of the payment of interest on any part of the Convertible Notes;
- e) power to authorise the Trustee to sanction on behalf of all the Noteholders any scheme for reconstruction of the Company or for the amalgamation of the Company with any other corporation;
- f) power to authorise the Trustee to accept on behalf of the Noteholders any other property or securities instead of any part of the Noteholder's rights and in particular any debt securities of the Company;
- g) power to approve the appointment of a new trustee in accordance with the provisions of the Trust Deed; and
- h) power to give any release or waiver in respect of anything done or omitted by the Trustee or any breach or default by the Company.

Indemnity

Without affecting any right of indemnity given to the Trustee by law or equity (and, in addition to, and without affecting, another indemnity in the Trust Deed), the Trustee and each person appointed by the Trustee pursuant to the Trust Deed (including but not limited any related bodies corporate, director, officer, employee, attorney, agent or other controlling person of the Trustee (each person a "Protected Person")) is, and is entitled to be, indemnified by the Company, and the Trustee is entitled to, and entitled to be kept, indemnified out of the Trust assets, in respect of all claims, demands, actions, damages, losses, liabilities, costs, charges, expenses and taxes: incurred by it in the exercise of any power or discretion in accordance with the Trust Deed, or the undertaking by it of any obligations, duties or responsibilities, including:

- a) moneys paid or to be paid for, or incurred as a result of, the employment or appointment of an agent; and
- b) from acting in good faith or relying in good faith on any notice, request or instruction given by fax, email or telephone or given in accordance with the Terms of the Trust Deed, which purports to originate from, or which the Trustee reasonably believes to have originated from, the offices or an authorised representative of the Company or a Noteholder (as applicable); and
- c) arising in relation to the Trust Deed.

The indemnity outlined above does not apply:

- a) where the Trustee (except for an agent which has been appointed by the Trustee at the request of the Noteholders or the Company) is guilty of fraud, wilful default or negligence; or
- b) if the Protected Person is the Trustee, to the extent that the Trustee is actually indemnified by a person other than the Company for the matters referred to at (a) – (c) in the immediately preceding paragraph above.

Limitation of Trustee's Liability

- a) The Trustee enters into the Trust Deed as trustee of the Trust and not in any other capacity, and the Trustee is not liable to the Noteholders, the Company or any other person in any capacity other than as trustee of the Trust.
- b) A liability to the Noteholders or the Company arising under or in connection with the Trust Deed is limited to and can be enforced by the Noteholders or the Company against the Trustee only to the extent to which it can be satisfied out of the assets of the Trust out of which the Trustee is actually indemnified for the liability. This limitation of the Trustee's liability applies despite any other provision of the Trust Deed and extends to all obligations in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to the Trust Deed.
- c) The Company and the Noteholders may not sue the Trustee in any capacity other than as trustee of the Trust, including seeking the appointment of a receiver (except in relation to property of the Trust), a liquidator, an administrator or any other similar person to the Trustee or prove in any liquidation of or affecting the Trustee (except in relation to the property of the Trust).
- d) The Company and the Noteholders waive their rights and release the Trustee from any personal liability in respect of any loss or damage which any of them may suffer as a consequence of a failure of the Trustee to perform its obligations under the Trust Deed, which cannot be paid or satisfied out of any property held by the Trustee.
- e) The limitation of the Trustee's liability outlined at (a) – (d) above will not apply to any obligation or liability of the Trustee to the extent arising as a result of the Trustee being guilty of fraud, negligence or wilful default. However:
 - 1) The Company is responsible for discharging a variety of obligations in respect of the Convertible Notes and performing a variety of obligations under the Trust Deed. No

act or omission of the Trustee (including any related failure to satisfy its obligations or breach of representation or warranty under the Trust Deed) will be considered fraud, negligence or wilful default of the Trustee to the extent to which the act or omission was caused or contributed to by any failure of the Company or any other person to fulfil its obligations relating to the deed or by any other act or omission of the Company, Noteholders or any other person.

- 2) No attorney, agent or delegate appointed in accordance with the Trust Deed has authority to act on behalf of the Trustee in any way which exposes the Trustee to any personal liability and no act or omission of any such person will be considered fraud, negligence or wilful default of the Trustee for the purpose of clause 9.3(f) of the Trust Deed.

Limitations

Without limiting the Trustee's limitation of liability outlined above, neither the Trustee nor any of its directors, officers, employees, agents or attorneys or Related Bodies Corporate will be responsible for or liable to the Company or any Noteholder or any other person for loss caused by:

- a) the Trustee's acts or omissions in accordance with the terms of the Trust Deed in reliance on:
 - 1) the Register;
 - 2) information or documents supplied by the Company or any agent of the Company;
 - 3) the authenticity of any document it reasonably believes to be genuine and correct;
 - 4) opinion, advice or information of any consultant or adviser of the Trustee appointed under clause 6.6(e) of the Trust Deed;
 - 5) acting on any instruction or direction properly given to it by the Company or Noteholders under the Trust Deed,
 - 6) provided that the Trustee has no actual knowledge to the contrary;
- b) any act, omission, neglect or default of the Company or any other person under or in connection with the Trust Deed or the Convertible Notes;
- c) any act or omission required by law or by any court of competent jurisdiction;
- d) anything done or omitted to be done in accordance with an instruction or direction given to it by the Noteholders at a Meeting;
- e) any act or omission of an operator of any securities title, transfer or holding system or any absence of, or defect in, the title of the Company to any asset;
- f) any payment having been made to any fiscal authority;
- g) the Trustee waiving or excusing, subject to any conditions that the Trustee thinks fit, any breach by the Company of the Company's obligations under the Trust Deed; or
- h) any act or omission required by law or by any court of competent jurisdiction.

13. Additional information

13.1. Nature of the Prospectus and Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined under section 111AC of the Corporations Act) for the purpose of section 713 of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules. Specifically, the Company is required to prepare and lodge with ASIC and ASX both annual and half-yearly financial reports accompanied by a directors' statement and report and an audit report or review to disclose any information which it is, or becomes, aware of which a reasonable person would expect to have a material effect on the price or value of its securities (subject to limited exceptions). As a result of these disclosure obligations, a "transaction specific prospectus" is required to contain information in relation to the effect of the issue of securities on a company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets, liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is a "transaction-specific prospectus" and is issued under the special prospectus content rules for continuously quoted securities in section 713 of the Corporations Act as permitted by ASIC Class Order 00/195. This enables listed disclosing entities, such as the Company, to issue a prospectus for an offer of continuously quoted securities and securities convertible into continuously quoted securities (as defined in the Corporations Act) with modified disclosure requirements if they satisfy certain requirements.

The Company is listed on ASX and its Shares are quoted on ASX. As the disclosing entity under the Corporations Act, the Company states that:

- a) It is subject to regular reporting and disclosure obligations;
- b) Copies of documents lodged with ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- c) It will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - 1) The 2014 annual financial report (being the most recent lodged by the Company with ASIC);
 - 2) Any half year financial report lodged with ASIC by the Company after the lodgement of the annual financial report referred to in (1) above and before the lodgement of the Prospectus with ASIC; and
 - 3) Any document used to notify ASX of information relating to the Company during that period in accordance with the ASX Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours. The following documents have been lodged with ASX since the date of lodgement of the Company's latest Annual Report:

Date	Description of Announcement
09/10/2014	Resignation of CEO
10/10/2014	Dividend Reinvestment Plan
16/10/2014	Change in substantial holding
16/10/2014	Proxy Form
16/10/2014	Notice of Annual General Meeting
21/10/2014	Investor update
21/10/2014	Market update

Date	Description of Announcement
04/11/2014	Appendix 3B
18/11/2014	AGM Presentation
18/11/2014	CEO Renewal and Board Changes
18/11/2014	Appendix 3B
18/11/2014	Issue of shares
18/11/2014	Chairman's Address
18/11/2014	Final Director's Interest Notice
18/11/2014	Results of Meeting
9/12/2014	Director Appointment/Resignation
9/12/2014	Final Director's Interest Notice

13.2. Sub-underwriting

The Company has been advised by Halcyon Corporate Pty Ltd that it has entered into sub-underwriting agreements with sub-underwriters in relation to the Shortfall. Two sub-underwriters are associated with Directors of the Company (**Related Sub-underwriters**).

The Related Sub-underwriters are:

- a) G & A Riley Investments Pty Ltd, associated with Mr Greg Riley, a Director of the Company, in respect of up to \$50,000, representing 50,000 Convertible Notes or 0.5% of the Offer; and
- b) Minnamurra Finance Pty Ltd, associated with Mr Daniel Riley, a Director of the Company, in respect of up to \$50,000, representing 50,000 Convertible Notes or 0.5% of the Offer.

The Related Sub-underwriters are not receiving any fee for the sub-underwriting.

13.3. Consents

The following consents have been given in accordance with the Corporations Act and have not been withdrawn as at the date of lodgement of this Prospectus with ASIC.

Rockwell Olivier (Sydney) Pty Ltd has given its written consent to be named as solicitors to the Company and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Australian Executor Trustees Limited has given its written consent to act as, and be named as, Trustee and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. This consent is given on the basis that statements and references to the Trustee appear in the Prospectus in the form and context in which they are included in the Prospectus and to the effect that the Trustee:

- a) has not made any statement or purported to make any statement in this Prospectus or any statement on which a statement in this Prospectus is based, other than as specified above;
- b) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation or any statement regarding, and takes no responsibility for, any part of this Prospectus, or any statements in, omissions from the Prospectus, other than the references to its name and the statement(s) and/or report(s) (if any) specified above and included in this Prospectus with its written consent; and
- c) has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent;
 - 1) to be named in this Prospectus in the form and context in which it is named; and

- 2) to the inclusion in this Prospectus of the statement(s) and/or report(s) (if any) by that person in the form and context in which they appear in this Prospectus.

Computershare Investor Services Pty Limited has given its written consent to be named as the Company's share registry and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Halcyon Corporate Pty Ltd has given its written consent to be named as Underwriter to the Offer and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Baillie Asset Management Ltd has given its written consent to be named as Underwriter to the Offer and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Pitcher Partners has given its written consent to be named as auditor to the Company and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

None of the entities referred to in this Section 13.3:

- a) have authorised or caused the issue of this Prospectus;
- b) has made any statement in this Prospectus or any statement on which a statement in this Prospectus is based; and
- c) to the maximum extent permitted by law, accept any liability to any persons in respect of any false or misleading statement in, or omission from, any part in this Prospectus.

13.4. Privacy

As an Applicant, the Company and the Share Registry have already collected certain personal information from you. If you apply for the Offer, you will provide personal information to the Company. Company laws and tax laws require some of the information to be collected and kept. The Company will collect, hold and use the information provided by you to process your Application and to administer your investment in the Company.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process your Application.

The Company may disclose your personal information for purposes related to your investment to the Company's agents and service providers. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared include:

- a) the Share Registry for ongoing administration of the Shareholder register;
- b) printers and other companies for the purpose of preparation and distribution of statements and for handling mail; and
- c) legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising, on the Convertible Notes and for associated actions.

The Company complies with its legal obligations under the Privacy Act.

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry.

The Trustee collects your personal information for the primary purpose of providing trustee services to the Noteholders and for ancillary purposes detailed in the Trustee's Privacy Policy. The Trustee may disclose your personal information, such as your name and contact details, along with your account information to its related bodies corporate, the Company, professional advisers, the land titles office and/or as otherwise instructed by the Noteholders. We are also permitted to collect and disclose your personal information when required or authorised to do so by law. The Trustee is not

likely to disclose your personal information to overseas recipients. Your personal information will be used in accordance with the Trustee's Privacy Policy. The Privacy Policy contains information about how you may access or correct your personal information held by the Trustee and how you may complain about a breach of the Australian Privacy Principles. You may obtain a copy of the Privacy Policy at www.aetlimited.com.au/privacy

13.5. Directors' Interests

The Company proposes on or shortly after the date of this Prospectus to appoint Richard Farrington as non-executive director to the Company. Mr Farrington is also a director of Baillie Asset Management Ltd which is co-underwriting the Offer.

As a result of the Underwriting Agreement between Baillie Asset Management Ltd and the Company, Baillie Asset Management Ltd, an entity controlled by Mr Farrington will be entitled to \$100,000 in underwriting fees.

Other than as set out below or elsewhere in this Prospectus, no Director nor any organisation in which a Director is a partner or director, has had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- a) the promotion or formation of the Company;
- b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of Convertible Notes pursuant to this Prospectus; or
- c) the Offer of Convertible Notes pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash, or, shares or otherwise) to any Director or to any organisation in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the promotion or formation of the Company.

Each Directors' interests in Shares at the Date of the Prospectus, and their Entitlement under the Offer are:

Director	Shares	Convertible Note Entitlement
Mr Daniel Riley	3,129,761	347,751
Mr Gregory Riley	22,504,913	2,500,456
Ms Sue Healy	206,060	22,895
Mr Richard Farrington	302,500	33,612

The Constitution of the Company (rule 10.2) provides that Non-Executive Directors may be paid for their services as Non-Executive Directors a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, where notice of the amount of the suggested increase and the maximum sum that may be paid shall be given to shareholders in the notice convening the meeting.

In the financial year ended 30 June 2013 \$1,066,634 was paid, in the financial year ended 30 June 2014 \$433,386 was paid and in the period 30 June 2014 until the issuing of this Prospectus \$255,729 was paid by the Company, by way of remuneration for services provided by the Directors, companies associated with the Directors or their associates in their capacity as Directors, consultants or advisers (including superannuation and bonuses).

It has been agreed that Mr Farrington will be paid \$40,000 per annum by the Company, by way of remuneration for services to be provided by Mr Farrington as director of the Company.

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses incurred in the course of conducting their duties which include, but are not in

any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

13.6. Interest of Experts and Advisers

Other than set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has had or had within two years before the lodgement of this Prospectus with the ASIC, any interest in:

- a) the formation or promotion of the Company; or
- b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of Convertible Notes pursuant to this Prospectus; or
- c) the Offer of Convertible Notes pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Rockwell Olivier has acted as the legal advisers in relation to the Offer and has performed work in relation to preparing the legal due diligence, verification programme and Prospectus for the Offer. The Company will pay approximately \$86,500 (GST exclusive) to Rockwell Olivier for work undertaken in respect of those services to the date of this Prospectus. Further amounts may be paid in respect of the services provided to or at the request of the Company to Rockwell Olivier in accordance with their normal time based charges.

Pitcher Partners has received no fees in relation to it consenting to be named as auditor of the Company in this Prospectus. Across the last two (2) financial years before lodgement of this Prospectus at ASIC, Pitcher Partners has been paid \$140,000 in fees for other services to the Company.

Australian Executor Trustees Limited acts as Trustee and will be paid the fees set out in section 12.2 of this Prospectus.

Halcyon Corporate Pty Ltd as co-underwriter and manager to the Offer will be paid the underwriting fees, management fees and placement fees set out in section 12.1 of this Prospectus.

Baillie Asset Management Ltd as co-underwriter to the Offer will be paid the fees set out in section 12.1 of this Prospectus.

13.7. Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company at this date of this Prospectus.

13.8. Estimated Expenses of the Offer

The estimated expenses of the Offer (assuming the Offer is fully subscribed to \$10,387,131 and excluding GST) are as follows:

Expense	Total
Underwriting Fee	\$519,357
Legal Fees	\$86,500

Registry Fees, Printing and Dispatch	\$35,000
ASIC and ASX Fees	\$23,000
Other miscellaneous fees	\$55,500
Total	\$719,357

The estimated expenses of the Offer (assuming the Offer is subscribed only up to the underwritten amount of \$5,000,000 and excluding GST) are as follows:

Expense	Total
Underwriting Fee	\$250,000
Legal Fees	\$86,500
Registry Fees, Printing and Dispatch	\$35,000
ASIC and ASX Fees	\$23,000
Other miscellaneous fees	\$55,500
Total	\$450,000

13.9. Market Price Securities

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

There are no Convertible Notes issued by the Company currently listed on ASX. Application will be made to ASX within 7 days after the date of this Prospectus for Official Quotation of the Convertible Notes offered pursuant to this Prospectus.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective date of those sales were:

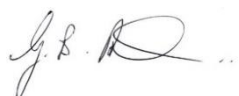
- Highest: 22.5 cents on 22 September 2014
- Lowest: 14 cents on 14 October 2014

The latest available closing sale price of the Company's Shares on ASX prior to lodgement of this Prospectus with ASIC was 20 cents on Friday 19 December 2014.

13.10. Directors' Consent

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of the Prospectus with ASIC.



Greg Riley
Non-Executive Chairman
For and on behalf of
CML Group Limited

14. Definitions and Glossary

Terms and abbreviations used in this Prospectus have the following meaning:

A\$ or AUD	Australian dollars
Additional Convertible Notes	those Shares which Eligible Shareholders may apply for under this Prospectus in excess of their Entitlement, in the event that there is a Shortfall
AEST	Australian Eastern Standard Time
Applicant	an investor seeking to apply for Convertible Notes using an Application Form pursuant to this Prospectus
Application	an application made to subscribe for Convertible Notes in accordance with the Offer
Application Form	an Entitlement and Acceptance Form accompanying this Prospectus or a Shortfall Application Form, or all of them, as the case requires
Application Money	means monies received from persons applying for the Convertible Notes pursuant to this Prospectus
ASIC	Australian Securities and Investments Commission
Associate	has the meaning given to it in the Corporations Act
ASX	ASX Limited ACN 008 624 691 or the Australian Securities Exchange
ASX Operating Rules	the operating rules of the ASX Settlement and Transfer Corporation Pty Limited which apply while the Company is an issuer of CHESS-approved securities, each as amended or replaced from time to time
ASX Settlement Operating Rules	means the operating rules of ASX Settlement Pty Limited and, to the extent that they are applicable, the operating rules of the ASX and the operating rules of ASX Clear Pty Limited
Authorisation	includes: (a) any consent, authorisation, registration, filing, lodgement, agreement, notarisation, certificate, permission, licence, approval (including any planning approval), authority or exemption from, by or with a Government Agency (including, without limitation, the Foreign Investment Review Board of Australia); or (b) in relation to anything which could be fully or partly prohibited or restricted by law if a Government Agency intervenes or acts in any way within a specified period the expiry of that period without intervention or action.
Board	the board comprising of the Directors of the Company
Business Day	means a day on which trading takes place on ASX
CHESS	the clearing house electronic sub register system, an automated transfer and settlement system for transactions in Securities quoted on ASX under which transfers are effected in paperless form
Closing Date	the date referred to in Section 5.4
CML Group	the Company
Company	CML Group Limited (ACN 098 952 277)
Constitution	the constitution of the Company
Convertible Notes	the convertible notes, which are unsecured notes, issued in the Company under this Prospectus in accordance with the Terms of

	Issue
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Director	a director of the Company and Directors means all of them
Eligible Shareholder	a Shareholder who is eligible to participate in the Offer in accordance with section 8.8
Entitlement and Acceptance Form or Form	an entitlement and acceptance form in the form attached to this Prospectus
Event of Default	means any of the following: <ul style="list-style-type: none"> (a) the Company fails to pay within three (3) Business Days after the due date any principal on any Convertible Note; (b) the Company fails to pay within five (5) Business Days after the due date any interest on any Convertible Note; (c) the Company fails to comply with any of its other obligations under the Terms of Issue or the Trust Deed and such failure remains unremedied for a period of five (5) Business Days after the Company has received written notice from the Trustee in respect of the failure; (d) the Company is suspended from trading on the ASX for more than fourteen (14) consecutive Business Days; (e) a secured creditor of the Company or a Subsidiary of the Company exercises its security in relation to its debt; (f) if an order is made or a resolution is effectively passed for the winding up of the Company except for the purposes of a reconstruction or amalgamation with the prior written consent of the Trustee; (g) if the Company enters liquidation; and (h) if without the prior written consent of the Trustee, the Company or a Subsidiary enters into any arrangement, reconstruction or a composition with its creditors.
Existing Shares	the Shares on issue by the Company as at the date of this Prospectus
Expiry Date	the date this Prospectus expires as referred to in section 1
Exposure Period	the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by ASIC by not more than 7 days pursuant to section 727(3) of the Corporations Act
Entitlement	the entitlement of a Shareholder who is eligible to participate in the Offer
Financial Statements	includes: <ul style="list-style-type: none"> (a) a cashflow statement, profit and loss statement and balance sheet; and (b) statements, reports and notes attached to, or intended to be read with any documents referred to in paragraph (a), including auditors' reports and directors' reports.
Group	The Company and its Related Bodies Corporate
Government Agency	means any government or any governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity
Ineligible Shareholder	a Shareholder who is not an Eligible Shareholder
Interest Payment Date	has the meaning given to that term in the Terms of Issue
Listing Rules or ASX Listing Rules	The official listing rules of ASX
Meeting	means a meeting of Noteholders convened in accordance with

	clause 12 of the Trust Deed
Noteholder	a holder of Convertible Notes
Offer	The issue of Convertible Notes in accordance with this Prospectus
Offer Price	\$1.00 for each Convertible Note applied for
Officer	has the same meaning as in the Corporations Act
Official Quotation	has the same meaning as in the Listing Rules
Opening Date	the date referred to in Section 5.4
Privacy Act	means the <i>Privacy Act 1988</i> (Cth)
Prospectus	This Prospectus dated Monday 22 December 2014 as modified or varied by the Company
Record Date	5.00pm (AEST) on the date referred to in Section 5.4
Related Body Corporate	has the same meaning as in section 50 of the Corporations Act
Register	means the register of Convertible Notes maintained by the Company and includes any sub-register established and maintained under the Clearing House Electronic Sub-Register System operated by ASX Settlement Pty Limited (ABN 49 008 504 532)
Securities	has the same meaning as in Section 92 of the Corporations Act
Share Registry	Computershare Investor Services Pty Limited
Shares	a fully paid ordinary share in the capital of the Company
Shareholders	The holders of Shares from time to time
Shortfall	the number of Convertible Notes comprising the difference between the Convertible Notes, the subject of the Offer, and the number of Convertible Notes for which valid Entitlement and Acceptance Forms have been received and accepted on or before the Closing Date
Shortfall Application Form	a shortfall application form in the form attached to this Prospectus
Shortfall Closing Date	the date referred to in Section 5.4
Shortfall Offers	The offers of Convertible Notes comprising the Shortfall
Special Resolution	a resolution that is passed at a Meeting of Noteholders by at least 75% of the votes validly cast by Noteholders in person or by proxy and entitled to vote on the resolution
Terms of Issue	the terms and conditions on which the Convertible Notes will be issued, details of which are set out in Appendix A of this Prospectus and Term means a term contained in the Terms of Issue
Transaction Documents	means (a) the Trust Deed; and (b) any other document the Trustee and the Company agree is a Transaction Document for the purposes of the Trust Deed.
Trust	means the trust established by the Trust Deed
Trustee	Australian Executor Trustees Limited ACN 007 869 794
Trust Deed	The agreement between the Trustee and the Company summarised in Section 12.2 of this Prospectus
Underwriters	means Halcyon Corporate Pty Ltd ABN 74 147 742 041 and Baillie Asset Management Ltd ABN 87 106 133 608 and Underwriter means any one of them
Underwriting Agreements	means the agreements between the Underwriters and the Company summarised in Section 12.1 of this Prospectus and

	Underwriting Agreement means any one of them
US	United States of America, its territories and possessions, any state of the United States and the District of Colombia
US Persons	has the meaning given to that term in Rule 902(k) under Regulation S under the US Securities Act
US Securities Act	<i>Securities Act of 1993</i> (US), as amended

1. TERMS

1.1 Terms

The Convertible Notes will:

- (a) have a face value representing a principal sum of \$1.00;
- (b) bear interest at a rate of 9% per annum;
- (c) be convertible in accordance with Term 4 into such number of Shares as is equal to the face value divided by the price per Share which is fixed at \$0.25; and
- (d) where the Convertible Notes have not been converted in accordance with Term 4, be redeemed by the Company in accordance with Term 3.

1.2 Unsecured and subordinated liability

The Convertible Notes will be an unsecured liability of the Company and rank equally with other unsecured liabilities of the Company.

1.3 Quotation

The Company will apply for official quotation by ASX of all Convertible Notes. Such application will be made within seven (7) days of the date of the Prospectus.

1.4 Withholding tax

- (a) All payments or credits to, or to the account of Noteholders (including payment of, and credits in respect of interest) will be made net of any tax in respect thereof required by law to be withheld, deducted or paid by the Company except to the extent that the Company is satisfied that the Noteholder is exempt from any such tax or is a person in respect of whom any such withholding, deduction or payment is not required to be made. Any Noteholder claiming any such exemption or to be such a person will provide the Company with such evidence as the Company may from time to time require to satisfy itself as to the validity of such claim.
- (b) The Company may make any deduction or withholding from any amount payable to a Noteholder in respect of Convertible Notes for or on account of withholding or other tax required by law to be deducted or withheld, and, where any such deduction or withholding has been made and the amount thereof accounted for by the Company to the Commissioner of Taxation or other appropriate taxing authority and the balance of the amount payable has been paid to the Noteholder concerned, the full amount payable to such Noteholder will be deemed to have been duly paid and satisfied by the Company.

1.5 Entry in Register

The Company must ensure that each Noteholder's details are entered in a register of Noteholders as required pursuant to the Corporations Act.

2. INTEREST

2.1 Interest Rate

- (a) Subject to these Terms of Issue, interest will be payable on the Convertible Note at the rate of 9% per annum (**Prescribed Interest Rate**)

- (b) Interest will accrue daily prior to the Maturity Date and subject to Terms 2.2 and 3.2, will be payable in arrears after 30 June and 31 December of each calendar year (**Interest Payment Date**) commencing on 30 June 2015 with the first payment being accrued interest to that date.
- (c) Interest payable will be paid no later than ten (10) Business Days after the relevant Interest Payment Date and in respect of the period before that Interest Payment Date.
- (d) Without limiting the obligation of the Company to pay interest in accordance with Term 2.1(c), interest that is not paid by the Company on an Interest Payment Date will not be capitalised, however interest will be charged on and will continue to accrue on the principal amount outstanding from time to time on a daily basis up to the date of actual payment from (and including) the Interest Payment Date at the Prescribed Interest Rate.

2.2 Payment following Conversion

If a Noteholder elects to convert a Convertible Note in accordance with Term 4.1 or the Company elects to convert a Convertible Note in accordance with Term 4.2 after an Interest Payment Date but before the next Interest Payment Date, because interest is payable in arrears, on the next Interest Payment Date being a date following the date of conversion of the Convertible Notes the Company will pay to the Noteholder an amount of interest calculated in accordance with the following formula:

Where: $R = (I/180 \times MP)$

R = the amount of interest to be paid by the Company to the Noteholder;

I = the total amount of interest which would have been payable to the Noteholder in respect of the Convertible Notes held by that Noteholder in arrears following the Interest Payment Date next occurring after the date of conversion, had the Convertible Notes not been converted; and

MP = the number of days commencing on the Interest Payment Date which immediately preceded the date of conversion and ending on the date of conversion.

2.3 No set off

A Noteholder has no right to set off any amounts owing by it to the Company against claims owing by the Company to the Noteholder.

3. REDEMPTION

3.1 Redemption

Subject to Terms 4 and 5, the Company must redeem all Convertible Notes on the first to occur of the following:

- (a) the receipt by the Company of a Redemption Notice in respect of the Convertible Note as a result of the exercise of the Trustee of its rights under clause 8.3 (Event of Default clause) of the Trust Deed; or by the Noteholder under clause 8.2 (Enforcement on direction by Noteholder) of the Trust Deed; or
- (b) the receipt by the Company of a Redemption Notice in respect of the Convertible Note as a result of the exercise by the Noteholder of its rights under Term 5(d)(ii); or
- (c) if the Noteholder has not elected to convert the Convertible Note prior to the Maturity Date, the Maturity Date.

3.2 Timing of redemption

Subject to Terms 4 and 5, a Convertible Note is required to be redeemed:

- (a) in the event of the occurrence of an event in accordance with Terms 3.1(a), within ten (10) Business Days after that event; or
 - (b) in the event of a takeover in accordance with Term 5(a), within ten (10) Business Days after that event; or
 - (c) in the event of a change of control of 50% or more of the shares in accordance with Term 5(b), within ten (10) Business Days after the transfer of the shares to the new shareholder; or
 - (d) in the event of a sale of the main undertaking of the Company in accordance with Term 5(c), within ten (10) Business Days after completion of the transfer of the main undertaking; or
 - (e) in the case of redemption on the Maturity Date, on the Maturity Date,
- (each a “**Date of Redemption**”),

and the Company will deliver to the Noteholder a cheque or draft or electronic transfer in favour of the Noteholder or such other person as the Noteholder has directed the Company in writing, for the face value of the Convertible Note plus accrued and owing interest (**Redemption Amount**) including the amount of any accrued by unpaid interest calculated in accordance with the following formula:

Where: $R = (I/180 \times MP) + OI$

R = the amount of interest to be added to the Redemption Amount.

I = the total amount of interest which would have been payable to that Noteholder in respect of the Convertible Notes held by that Noteholder in arrears on the Interest Payment Date which immediately following the Date of Redemption (had the Convertible Notes not been redeemed).

MP = the number of days commencing on the Interest Payment Date which immediately preceded the Date of Redemption and ending of the Date of Redemption.

OI = any other interest in arrears in respect of the Convertible Notes as at the Interest Payment Date which immediately preceded the Date of Redemption.

3.3 Redemption of the Note

The Trustee or a Noteholder will only be entitled to issue a notice of redemption (**Redemption Notice**) pursuant to an exercise of their respective obligations under clause 8.2 of the Trust Deed, or Term 5(d)(ii), and only in respect of all of the Convertible Notes:

- (a) then on issue – in the case of the issue of a Redemption Notice by the Trustee under clause 8.2 of the Trust Deed; or
- (b) held by that Noteholder – in the case of the issue of a Redemption Notice under clause 8.2 of the Trust Deed or Term 5(d)(ii),

and only in respect of the whole of the face value of those Convertible Notes.

3.4 Exclusion

A Noteholder will not be entitled to require redemption of any Convertible Notes otherwise than pursuant to this Term 3.

4. CONVERSION

4.1 Conversion by the Noteholder

- (a) A Noteholder will be entitled to convert some or all of the Convertible Notes held by that Noteholder in accordance with this Term 4.1, by delivering a notice in the prescribed form to the Company at any of the following times (such notice a “**Conversion Notice**”):
- 1) during the nine (9) Business Days following each Interest Payment Date;
 - 2) in accordance with Term 5(d)(i); or
 - 3) in accordance with Term 6, in the ten (10) Business Days prior to the Maturity Date.
- (b) A Noteholder may convert all or some of its holdings of the Convertible Notes. Where a Noteholder converts only part of its holding of Convertible Notes, the Noteholder must convert at least 500 Convertible Notes and in integral multiples of 500 Convertible Notes, or in the event that less than 500 Convertible Notes are held by the Noteholder, the remainder amount.
- (c) Subject to Term 4.1(b), within:
- 1) ten (10) Business Days of receipt of a Conversion Notice in accordance with Term 4.1(a)(1); and
 - 2) ten (10) days of receipt of a Conversion Notice in accordance with Terms 4.1(a)(2) or (3),

the Company will proceed to issue and allot to the Noteholder that number of Shares as calculated in accordance with Term 4.4.

4.2 Early conversion by the Company

- (a) For the purposes of this Term 4.2 the following words have the following meanings:
- VWAP** = means the volume weighted average price of fully paid ordinary shares of the Company calculated over the twenty (20) trading days on which trades in that class of shares were recorded on the ASX immediately before the day on which the VWAP Event occurred.
- VWAP Event** = means the day on which the VWAP is equal to or greater than \$0.35.
- (b) Subject to Terms 4.1 and 5, the Company may, in its discretion, where a VWAP Event has occurred, convert all or part (pro rata across Noteholders) of the Convertible Notes by giving the Noteholders fourteen (14) days notice of early conversion (**Early Conversion Notice**).
- (c) On the date specified in the Early Conversion Notice the Company will proceed to issue and allot to the Noteholder that number of Shares as calculated in accordance with Term 4.4, and will notify the Trustee accordingly.

4.3 Terms of conversion

- (a) The issue and allotment of Shares as fully paid on conversion pursuant to this Term 4 will be and be deemed for all purposes to be in full satisfaction and discharge of the principal amount owing to the Noteholder pursuant to the Convertible Notes the subject of the Conversion Notice and/or the Early Conversion Notice but the conversion pursuant to this Term 4 will in no way affect any liability of the Company for unpaid interest accrued up to the date of conversion which the Company will pay to the Noteholder in accordance with Term 2.2.

- (b) The Shares issued and allotted upon the conversion pursuant to this Term 4 will rank equally in all respects with all issued ordinary shares in the capital of the Company on the date of conversion, except that the Noteholder will not be entitled to any dividend that has been declared or determined but not paid as at the date that the conversion takes place.
- (c) The Company will make application for official quotation by ASX of all Shares issued upon the conversion pursuant to this Term 4. Such application will be made as soon as reasonably practicable after Shares are so issued.
- (d) Within ten (10) Business Days after the issue of Shares to a Noteholder upon the conversion pursuant to this Term 4, the Noteholder will be issued with a holding statement from the registry detailing the number of Shares issued.

4.4 Conversion Rate

Subject to this Term 4, 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.

4.5 No Other Rights of Conversion

A Convertible Note will only be converted to Shares as set out in this Term 4.

4.6 Reconstruction

- (a) 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 set out in the Conversion Rate (see Term 4.4) 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, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects the terms for conversion of the Convertible Notes will remain unchanged.
- (b) The adjustments in this Term 4.6 will, subject to the ASX Listing Rules, be determined by the Company.

5. TAKEOVER OR SALE OF MAIN UNDERTAKING

If:

- (a) a takeover bid (as defined in the Corporations Act) is made the Shares and the bidder or any other person acquires a relevant interest in 50% or more of the Shares; or
- (b) there is a sale of the main undertaking of the Company that would require approval of the ordinary shareholders of the Company in accordance with ASX Listing Rule 11.2,

(**Takeover Event**) at any time after the issue of the Convertible Notes and prior to the issue of a Conversion Notice in respect of such Convertible Notes, then:

- (c) the Company will give to each Noteholder written notice ("a Sale Notice") of the Takeover Event within ten (10) Business Days of receiving notice of it (or entering into an agreement in respect of the proposed disposal); and
- (d) the Noteholder must within ten (10) Business Days after the Sale Notice is sent to Noteholders either:
 - i. elect to convert all the Convertible Notes held by that Noteholder to fully paid ordinary Shares in accordance with Term 4.1 by providing the Company with a Conversion Notice; or

- ii. require the Company to redeem all the Convertible Notes held by that Noteholder in accordance with Term 3 by providing the Company with a Redemption Notice.
- (e) If a Noteholder does not comply with Term 5(d), within the time period specified in that term, then the Company will redeem all the Convertible Notes held by that Noteholder in accordance with Term 3.

6. CONVERSION FOLLOWING ANNOUNCEMENT OF A SPECIAL DIVIDEND OR RIGHTS ISSUE

Noteholders are not entitled to participate in any rights issue, return of capital or capital reconstruction after the issue of the Convertible Notes and prior to the issue of a Conversion Notice in respect of such Convertible Notes.

- (a) If the Company declares a dividend at any time after the issue of the Convertible Notes and prior to the issue of a Conversion Notice in respect of such Convertible Notes, then each Noteholder may elect to convert all the Convertible Notes held by that Noteholder into fully paid ordinary Shares in accordance with Term 4.1 by providing the Company with a Conversion Notice within ten (10) days of the date the dividend is declared.
- (b) If the Company announces an intention to conduct a rights issue at (any time after the issue of the Convertible Notes and prior to the issue of a Conversion Notice in respect of such Convertible Notes, then each Noteholder may elect to convert all the Convertible Notes held by that Noteholder into fully paid ordinary Shares in accordance with Term 4.1 by providing the Company with a Conversion Notice within ten (10) days of the date the Company announces its intention to conduct a rights issue.

7. RIGHTS TO ATTEND MEETINGS

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.

8. FOREIGN HOLDERS

When Convertible Notes are held by or on behalf of a person resident outside Australia then, despite any other terms or conditions applicable to such Convertible Notes, it will be a condition precedent to the right of the Noteholder to receive payment of any amount payable under these terms or to obtain shares on conversion that the requirements of all applicable laws of the Commonwealth of Australia or any of its States or Territories and of the country of residence of the Noteholder in respect of such payment or conversion are satisfied so that such payment or conversion will not result in a breach of any such applicable law by the Company.

9. CONVERSION OF VOTING SHARES PRECLUDED

9.1 Breaches of Law

Notwithstanding any other term of the Trust Deed or these Terms, a Noteholder is not entitled to convert (and the Company is entitled to refuse to Convert) such number of Convertible Notes that would result in:

- (a) a person acquiring voting shares in the Company in breach of section 606 of the Corporations Act (or any equivalent provision); or
- (b) a person acquiring Shares where a notification or consent being required to be sent to, or consent is required under, any legislation by which the Company and its Related Bodies Corporate are bound has not been obtained.

9.2 Statutory Declaration

The Company may in its discretion require a Noteholder to provide a statutory declaration confirming that the circumstances referred to in Term 9.1 do not exist in respect of any Conversion by that Noteholder.

10. REGISTRATION OF TRANSFERS

10.1 Transfer

The Company will not be issuing certificates in respect of the Convertible Notes. The Company participates in CHESS for those investors who have, or wish to have, a sponsoring broker. Investors who do not wish to participate through CHESS will be sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Accordingly, Convertible Notes may be transferred, and transfers may be registered, in any manner required or permitted by the ASX Listing Rules applying in relation to that system. Additionally, transfers can occur off market.

Subject to the terms of the Trust Deed, the Noteholder may transfer all or any of the Convertible Notes that it holds:

- (a) by an instrument in writing in any usual form or in any other form that the directors of the Company approve (in respect of an off market transfer); or
- (b) in accordance with the ASX Listing Rules (for on market transfers).

10.2 Recording Transfers

The Company and/or the Company's share registry will promptly upon being satisfied that a transfer has been properly effected, accept the transfer by making an inscription in the register recording the transfer of the relevant Convertible Note.

Monthly statements will be provided by the Company or Share Registry to Noteholders in circumstances in which there have been changes in their security holding in the Company during the preceding month.

10.3 Administration

- (a) The Company's share registry will register the transfer of a Convertible Note notwithstanding that the transfer form (in respect of an off market transfer) to which the transfer relates has not been marked by the Company.
- (b) The Company or the share registry will procure that all transfer forms (in respect of off-market transfers) which are registered will be retained by the Company for a period of 7 years after receipt but any transfer form which the Company declines to register will (except in the case of fraud or suspected fraud) be returned on demand to the person depositing the same.
- (c) The Company and the Company's share registry will not register the transfer of a Convertible Note on or after its Maturity Date.

10.4 Directions

- (a) Subject to the Trust Deed, these Terms of Issue, and any conditions proposed by the Company at the time the Convertible Notes are issued, the Company will comply with any payment or distribution direction made by a transferee:
 - i. in an application for transfer of Convertible Notes on and from the time of registration of that transfer; and
 - ii. at any subsequent time in such form as the Company will from time to time determine.

- (b) A direction from anyone or more joint holders of a Convertible Note will bind all the joint holders. If more than one direction is received from joint holders of a Convertible Note the direction of the senior is to be accepted to the exclusion of the other directions and for this purpose seniority is determined by the order in which the names appear in the Register of Noteholders in respect of the joint holding.

10.5 Transmission

Subject to Term 10.1. a person becoming entitled to Convertible Notes as a consequence of the death or bankruptcy of a Noteholder or of a vesting order or a person administering the estate of a Noteholder may, upon producing such evidence as to that entitlement or status as the Company consider sufficient, transfer the Convertible Notes of that Noteholder or, if so entitled, become registered as the holder of the Convertible Notes.

10.6 Non-Registration of Third Party Interests

Convertible Notes will be registered by name only without reference to any trusteeships. Any entry in the Register of the name and address of a Noteholder and the amount owed to that Noteholder is conclusive evidence of title subject to rectification for fraud or error.

10.7 Person Registered

The person registered as a Noteholder of an amount of Convertible Notes will be treated by the Company as the absolute owner of that amount of Convertible Notes. Neither the Company, nor the Trustee will. Except as ordered by a Court or as required by statute, be obliged to take notice of any claim to a Convertible Note. Entry in the Register of the name and address of a Noteholder and the number of Convertible Notes held by that Noteholder is conclusive evidence of title subject to rectification for fraud or error.

11. NOTICES

11.1 Service of Notices

- (a) A notice may be given by the Company or the Trustee to any Noteholder, or in the case of joint Noteholders to the Noteholder whose name appears first in the Register:
- i. personally;
 - ii. by leaving it at the Noteholder's address in the Register or by sending it by prepaid post (airmail if posted to a place outside Australia) addressed to the Noteholder's address noted in the Register;
 - iii. by facsimile transmission to the facsimile number nominated by the Noteholder;
 - iv. by publishing such notice in a national newspaper; or
 - v. by other electronic means, including by email, determined by the Company.

If the notice is signed, the signature may be original or printed.

- (b) A notice given by a Noteholder to the Company must:
- i. be in writing and signed by a person duly authorised by the sender; and
 - ii. be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by the Company, or sent by a facsimile transmission to the fax number below or the fax number last notified by the Company, or emailed to the email address below or the email address last notified by the Company:

The Company:
CML Group Limited
Level 4

61 Lavender Street
Milsons Point NSW 2061

Attention: Company Secretary
Fax No.: (02) 9956 8499
Email: ralphs@careersmultilist.com.au

- (c) A notice given by a Noteholder to the Trustee must:
- i. be in writing and signed by a person duly authorised by the sender; and
 - ii. be left at, or sent by prepaid post (airmail if posted from a place outside Australia) to the address below or the address last notified by the Trustee, or sent by a facsimile transmission to the fax number below or the fax number last notified by the Trustee, or emailed to the email address below or the email address last notified by the Trustee:

The Trustee:
Australian Executor Trustees Limited
Level 22, 207 Kent St
Sydney NSW 2000

Attention: Corporate Trust
Fax No: 02 9028 5942
Email: corptrustnotes@aetlimited.com.au

11.2 When Notice Considered to be Received

Any notice is taken to be received:

- (a) if served personally or left at the intended recipient's address, when delivered;
- (b) if sent by prepaid post, on the second Business Day (or, if posted from a place outside Australia, the seventh day) after the date of posting;
- (c) if sent by facsimile or other electronic transmission, on production of a report by the machine or other system by which the transmission is sent indicating that the transmission has been made in its entirety to the correct fax number or other transmission address and without error;
- (d) if sent by email, when it becomes capable of being retrieved by the addressee at the relevant email or other electronic address;
- (e) if published in a national newspaper, on the date of publication; and
- (f) if published on a website, on the day following the date on which such notice is posted by the Company on the website,

but if the result is that a notice would be taken to be given on a day that is not a Business Day in the place to which the Notice is sent or is later than 5:00pm (local time) it will be taken to have been duly given or made at the commencement of business on the next Business Day in that place.

11.3 Notice to Transferor Binds Transferee

Every person who, by operation of law, transfer or other means, becomes entitled to be registered as the Noteholder of any Convertible Notes is bound by every notice which, prior to the person's name and address being entered in the Register in respect of the Convertible Notes, was properly given to the person from whom the person derived title to those Convertible Notes.

11.4 Service on Deceased Noteholders

A notice served in accordance with this Term 11 is (despite the fact that the Noteholder is then dead or whether or not the Company has notice of the Noteholder's death) considered to have been

properly served in respect of any Convertible Notes, whether held solely or jointly with other persons by the Noteholder, until some other person is registered in the Noteholder's place as the Noteholder or joint-Noteholder. The service is sufficient service of the notice or document on the Noteholder's personal representative and any persons jointly interested in the Convertible Notes.

12. AMENDMENTS TO THESE TERMS

12.1 Amendments Without Consent

At any time, but subject to compliance with the Corporations Act and all other applicable laws, the Company may, in accordance with these Terms and the Trust Deed, without the consent of the Noteholders amend these Terms:

- (a) if the Company is of the opinion that such amendment is of a formal or technical nature or is made to correct a manifest error;
- (b) if the Company is of the opinion that such amendment is:
 - i. necessary to comply with the provisions of any law or regulation or any requirement of any Governmental Agency;
 - ii. necessary to comply with the applicable ASX Listing Rules or the listing or quotation requirements of any securities exchange on which the Company may propose to seek or retain a listing or quotation of the Convertible Notes;
 - iii. necessary or expedient for the purpose of enabling the Convertible Notes to be offered for subscription or for sale under the laws for the time being in force in any place,

and the amendment is not inconsistent with the Trust Deed and the Company has provided the Trustee with a legal opinion in form and substance satisfactory to the Trustee (acting reasonably) addressed to or otherwise able to be relied on by the Trustee from legal advisers of recognised standing in New South Wales opining that such amendment (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) is otherwise not materially adverse to the rights of the Noteholders. If the Trustee is not satisfied with the legal opinion the Company must convene a meeting of Noteholders to seek approval for the amendment.

- (c) The Company should submit the draft amendment to the Trust Deed and the legal opinion to the Trustee at least ten (10) Business Days before the amendment is intended to take effect.

13. GOVERNING LAW AND JURISDICTION

13.1 Governing Law

The Convertible Notes and these Terms of Issue are governed by the laws of the State of New South Wales.

13.2 Jurisdiction

- (a) The Company and each Noteholder submits to the non-exclusive jurisdiction of the courts exercising jurisdiction in the State of New South Wales in connection with matters concerning the Convertible Notes or these Terms.
- (b) The Company and each Noteholder waives any right they have to an action being brought in those courts, or to claim that the action has been brought in an inconvenient forum, or to claim those courts do not have jurisdiction.

14. INDEMNITY TO THE COMPANY

- (a) Whenever in consequence of:
 - i. the death of a Noteholder;

- ii. the non-payment of any tax payable by a Noteholder;
- iii. the non-payment of any stamp or other duty by the legal personal representative of a Noteholder or their estate; or
- iv. any other act or thing in relation to a Convertible Note or a Noteholder,

any law for the time being of any country or place, in respect of a Convertible Note, imposes or purports to impose any liability of any nature whatever on the Company to make any payments to any governmental agency, the Company will in respect of that liability be indemnified by that Noteholder and his legal personal representatives and any monies paid by the Company in respect of that liability may be recovered from that Noteholder and/or his legal personal representatives as a debt due to the Company and the Company shall have a lien in respect of those monies upon the Convertible Notes held by that Noteholder or his legal personal representatives and shall be entitled to set off those monies against any monies payable by it in respect of those Convertible Notes.

- (b) Nothing in Term 14(a) will prejudice or affect any right or remedy which any such law may confer or purport to confer on the Company.

15. INTERPRETATION

15.1 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply for interpretation of these Terms unless the context requires otherwise.

- (a) Unless the context otherwise requires, if there is inconsistency between the Terms and the Trust Deed, then the Trust Deed will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of the Company under these Terms as are not, by the Corporations Act or by the constitution of the Company required to be exercised by the Company in a general meeting.
- (c) If a calculation is required under these Terms, unless a contrary intention is expressed, the calculation will be rounded to four decimal places. For the purposes of making any payment in respect of the Noteholder's aggregate holding of Convertible Notes, any fraction of a cent will be disregarded. For the purposes of issuing or transferring Ordinary Shares in respect of a Noteholder's aggregate holding of Convertible Notes, any fraction of an Ordinary Share will be disregarded.
- (d) Calculations, elections and determinations made by the Company under these Terms are binding on Noteholders in the absence of manifest error.
- (e) A reference to \$ or cents in these Terms is a reference to Australian currency. A reference to time in these Terms is a reference to Sydney time.
- (f) The terms 'associate', 'relevant interest', 'scheme of arrangement' and 'takeover bid' when used in these Terms have the meaning given in the Corporations Act.
- (g) A reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (h) If an event under these Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (i) If a term is given a defined meaning, different grammatical forms of the term have corresponding meanings.
- (j) The singular includes the plural and vice versa.

15.2 Definitions

Terms defined in the Trust Deed have the same meanings in these Terms. In addition, the following definitions have the following meanings:

ASTC	ASX Settlement Pty Ltd (ABN 49 008 504 532).
CHESS	the Clearing House Electronic Subregister System operated by ASTC.
Company or CML	CML Group Limited ACN 098 952 277.
Conversion Notice	means a notice in the form set out in Schedule 2 of the Trust Deed and delivered to the Company in accordance with Term 4.1
Convertible Note	a convertible note to be issued pursuant to the Prospectus in accordance with these Terms of Issue.
Date of Redemption	each of the dates set out in Term 2
Director	a director of the Company.
Dollar or \$	Australian currency.
Face Value	\$1.00.
Interest Payment Date	Means a date on which interest will be payable in accordance with Term 2.1.
Maturity Date	the maturity date of the Convertible Notes, being 5 years from the date of issue.
Noteholder	a holder of Convertible Notes.
Principal Amount	in relation to each Convertible Note, the nominal principal amount of such Convertible Note recorded in the Register of Noteholders (being the Issue Price).
Prospectus	this Prospectus.
Record Date	2 January 2015.
Redemption Amount	means the amount calculated in accordance with Term 3.2.
Related Body Corporate	has the same meaning as in section 50 of the Corporations Act.
Share	means a fully paid ordinary share in the capital of the Company.
Shareholder	means a holder of a Share.
Terms of Issue or Term	means these Terms of Issue, being the terms on which the Convertible Notes will be issued, and Term means a term contained in these Terms of Issue.
Trustee	means Australian Executor Trustees Limited ACN 007 869 794
Trust Deed	means the trust deed between the Trustee and the Company summarised in section 12.2 of the Prospectus.
Underwriters	means Halcyon Corporate Pty Ltd ABN 74 147 742 041 and Baillie Asset Management Ltd ABN 87 106 133 608 and Underwriter means any one of them
Underwriting Agreements	means the agreements between the Underwriters and the Company summarised in Section 12.1 of the Prospectus and Underwriting Agreement means any one of them