

CML GROUP LIMITED

[ACN 098 952 277]
(“the Company”)

PROSPECTUS

A non-renounceable pro-rata Rights Issue of 1 new share (**New Share**) for every 5 Shares held on the Record Date at an issue price of 15 cents (\$0.15) per New Share issued to raise up to approximately \$3,252,497 before costs of the issue.

The Rights Issue is underwritten by Henslow Pty Ltd [ACN 605 393 137] [AFSL 483168].

The Rights Issue closes at 5.00pm (Sydney time) on 8 June 2016 (which date may change without notice).

THIS DOCUMENT IS IMPORTANT AND SHOULD BE READ IN ITS ENTIRETY

If you do not understand its contents, you should consult your stockbroker, accountant or other professional adviser without delay.

The New Shares offered under this Prospectus are considered speculative.

CORPORATE DIRECTORY

CML Group Limited
[ACN 098 952 277]

Directors

Mr Greg Riley – Chairman
Mr Daniel Riley – Managing Director
Mr Richard Farrington – Non-executive Director
Mrs Sue Healy – Non-executive Director
Mr Geoff Sam – Non-executive Director

Company Secretary

Mr Steve Jung-Min Shin

Registered Office

Level 4, 61 Lavender Street, Milsons Point, New South Wales, 2061
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Facsimile: +61 2 9267 1567

Address for Return of Applications

Computershare Investor Services Pty Limited
GPO Box 505
Melbourne, Victoria, 3001

Share Registry

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street, Sydney, New South Wales, 2000

ASX Code

CGR

Web Site

www.cml-group.com.au

IMPORTANT NOTE

This Prospectus is dated 19 May 2016. A copy of the Prospectus was lodged with the Australian Securities & Investments Commission (**ASIC**) on the same date. Neither the ASIC nor ASX Limited (**ASX**) nor their respective officers take any responsibility as to the contents of the Prospectus.

This Prospectus contains and applies to the offer of New Shares under the Rights Issue (including the offer (if any) of New Shares from the shortfall during the 3 months after the Closing Date.

You should read this document carefully before you make a decision to apply for New Shares. An investment in the Company has risks, which you should consider before making a decision to invest.

The New Shares offered under this Prospectus should be considered speculative.

TIMETABLE

Lodgement of Prospectus	19 May 2016
“Ex” date (existing shares quoted on an ex rights basis)	24 May 2016
Record date to identify shareholders entitled to participate in the Rights Issue (Record Date) at 7pm (Sydney time)	25 May 2016
Prospectus dispatched to shareholders entitled to participate in Rights Issue	30 May 2016
Closing Date at 5pm (Sydney time)	8 June 2016
Notice of under-subscriptions given to ASX	14 June 2016
Issue Date	16 June 2016

*The above dates should be regarded as **indicative only**. Subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws, the Company reserves the right to change the above dates, to close the Rights Issue before the date stated above, to extend the Closing Date and subsequent dates, or not to proceed with the Rights Issue.*

No securities will be issued on the basis of this Prospectus after 18 June 2017, being the expiry date of this Prospectus.

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KEY INVESTMENT RISKS – SUMMARY

Please read and consider this Prospectus in full in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements before making any decision regarding applying for New Shares, exercising any existing convertible notes or making an investment in the Company. In particular, the risks described in Section 3 include risk areas considered specific to the Company which are summarised below.

- Risks associated with the cash flow financing business carried on by the Company.
- Reliance on key management and management actions.
- Contractual risks such as third parties not complying with their contractual obligations, acting fraudulently, or terminating agreements early.
- The Company having sufficient funds to conduct its business.
- Regulatory risk and the potential for changes in government policy that adversely effects the Company's business.
- Potential for insurance coverage to be beyond commercial terms acceptable to the Company.
- The costs to the Company to conduct its business becoming unsustainable.
- The shareholding in the Company of shareholders who do not take up their entitlements pursuant to the Rights Issue will be diluted.
- The speculative nature of investment in the Company.

In addition to the above, there are other risks of a more general nature, such as general economic and market conditions.

ABOUT THE OFFER – SUMMARY

The following summary provides only a limited overview. Further detail is set out in this Prospectus. Please read and consider this Prospectus in full before making any decision regarding applying for New Shares, exercising convertible notes or investment in the Company.

Topic	Summary	For more information see:
What is the offer?	The offer (called the Rights Issue) is a pro-rata, non-renounceable offer made to eligible shareholders to acquire up to a specified number of New Shares.	Section 1.1
What is my entitlement to New Shares?	<p>If you are an Eligible Shareholder, you are entitled to acquire 1 New Share for every 5 Shares you hold (at 7.00 pm (Sydney time) on the Record Date, 25 May 2016), on and subject to the terms of this Prospectus.</p> <p>If you are an Eligible Shareholder, your entitlement to New Shares is set out in a personalised Entitlement and Acceptance Form accompanying this Prospectus.</p>	Section 1.1 and the personalised Entitlement and Acceptance Form accompanying this Prospectus
What is the offer price?	15 cents (\$0.15) per New Share.	Section 1.1
Am I an eligible shareholder?	Eligible Shareholders are shareholders of the Company registered as holders of Shares as at 7.00 pm (Sydney time) on the Record Date whose address in the Company's register of members is in Australia or New Zealand.	Section 1.1 and 1.3
What if I am not an eligible shareholder?	<p>The Company has decided that it is unreasonable to make the Rights Issue offer outside Australia and New Zealand having regard for:</p> <ul style="list-style-type: none"> the number of holders in places where the Rights Issue would be made; the number and value of securities those holders would be offered; and the cost of complying with the legal and regulatory requirements in those jurisdictions. <p>Accordingly, if you are not an Eligible Shareholder, no offer is made to you.</p>	Section 1.3
What is the purpose of the offer and how will the funds raised be used?	<p>The Company is undertaking the Rights Issue to raise capital for the purposes set out below.</p> <ul style="list-style-type: none"> As announced to the ASX on 9 May 2016 the Company has entered a conditional agreement with 180 Group Holdings Pty Ltd, a wholly owned subsidiary of ASX-listed FSA Group Limited, to acquire its subsidiary company which owns and operates a factoring business (180 Acquisition). The 180 Acquisition will, in part, be funded from the existing cash reserves of the Company. Funds raised through the Rights Issue (after costs) will be used to replenish the Company's cash reserves and thereafter used for the general working capital requirements of the Company. In the event that the 180 Acquisition does not proceed the Company may elect to withdraw the Rights Issue. If this occurs application funds received will be returned to applicants (without interest). 	Section 2

Topic	Summary	For more information see:
How much will be raised by the offer?	The offer will raise up to approximately \$3,252,497 (before costs).	Section 1.1
Is the offer underwritten?	Yes, the Rights Issue is fully underwritten by Henslow Pty Ltd.	Section 1.4 and 10
Are there any risks associated with an investment in the Company?	<p>There are risks associated with an investment in the Company. These include risks relating to the Company, risks relating to the offer and risks associated with financial investment generally.</p> <p>Please carefully consider the risks and the information contained in this Prospectus in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements before making any decision regarding your entitlement to New Shares or otherwise making an investment in the Company.</p>	Page 3 and Section 3
What can I do with my entitlement?	<p>You can do any of the following:</p> <ul style="list-style-type: none"> • take up all of your entitlement (by accepting the offer in full); • take up part of your entitlement (by accepting part of the offer) and allow the balance to lapse (and the balance will form part of the shortfall); or • do nothing, in which case all your entitlement will lapse and form part of the shortfall. 	Section 6.1
Can I trade my entitlement?	No, the offer is non-renounceable.	Section 1.2
What happens if I do not take my entitlement, or take up only part of my entitlement?	Not taking up your entitlement in full will result in your interest in the Company being diluted. If you do not take up all of your entitlement by the Closing Date, the New Shares to which you were entitled will form the shortfall.	Sections 1.5, 3.1(K) and 5.1
How do I take my entitlement (accept the offer)?	<p>If you wish to take up (accept the offer for) all or part of your entitlement you must either:</p> <p>(a) pay by BPAY using the BPAY details in the personalised Entitlement and Acceptance Form, so payment is received by no later than 5.00 pm (Sydney time) on the Closing Date (8 June 2016); or</p> <p>(b) complete and return the personalised Entitlement and Acceptance Form to Computershare Investor Services Pty Ltd together with payment by cheque, bank draft or money order so the form and payment are received by the Share Registry by no later than 5.00 pm (Sydney time) on the Closing Date.</p> <p>The amount payable if you are taking up your full entitlement is set out in the personalised Entitlement and Acceptance Form.</p> <p>If taking up less than your full entitlement, the amount payable is calculated by multiplying the number of New Shares you wish to take up by 15 cents (\$0.15).</p>	Section 6.2

Topic	Summary	For more information see:
Is there a minimum subscription amount?	<p>There is no minimum subscription amount. New Shares will be issued in response to all valid acceptances of entitlements received.</p> <p>Entitlements not accepted will form part of the underwritten shortfall to be taken up by the Underwriter, Henslow Pty Ltd, or as allocated by its sub-underwriters.</p>	Section 1.5
What are the tax implications of participating in the offer?	Taxation implications will vary depending upon the specific circumstances of shareholders. You should obtain your own professional advice as to the particular taxation treatment that will apply to you.	Section 12
How and when will I know if my acceptance was successful?	A holding statement confirming the issue of your New Shares will be sent to you on or about 16 June 2016.	Section 6.3
Where can I find more information about the Company?	For more information on the Company please see the Company's website (www.cml-group.com.au) or refer to the Company's ASX announcements (available on the ASX's website www.asx.com.au).	Section 8
What if I have any questions about the offer or how to accept or deal with my entitlement?	<p>You should consult your stockbroker, accountant, solicitor or other professional adviser before making any decision regarding applying for New Shares.</p> <p>If you have any questions regarding how to complete and return the application form, contact details will be included in the Company's Entitlement and Acceptance Form.</p> <p>Questions concerning the Rights Issue can also be directed to Henslow Pty Ltd, the Underwriter to the Rights Issue, on +61 (3) 8622 3333.</p>	Section 19

1. Details of the offer

1.1 The Offer

CML Group Limited (“**the Company**” or “**CML Group**”) offers to its shareholders, as recorded on the share registry records on the Record Date and who are otherwise eligible to accept the Rights Issue offer made under this Prospectus (each an “**Eligible Shareholder**”), the right to participate in a non-renounceable rights issue of 1 new fully paid ordinary share (“**New Share**”) for every 5 existing shares (“**Shares**”) held at the Record Date at an issue price of 15 cents (\$0.15) (“**the Rights Issue**”). The Rights Issue will raise up to approximately \$3,252,497 (before costs).

Fractional entitlements to Shares will be rounded up.

1.2 No Rights Trading

Entitlements to New Shares pursuant to the Rights Issue are not renounceable and accordingly, there is no ability to trade rights on ASX or elsewhere.

1.3 Non-qualifying Foreign Shareholders

Only shareholders with addresses in the Company’s register of members in Australia and New Zealand are eligible to participate in the Rights Issue.

The Company has decided that it is unreasonable to make the Rights Issue offer outside Australia and New Zealand having regard for:

- the number of holders in places where the Rights Issue would be made;
- the number and value of securities those holders would be offered; and
- the cost of complying with the legal and regulatory requirements of regulatory authorities in those jurisdictions.

A total of 150,000 Shares (0.14% of existing issued Shares) are held by two (2) non-qualifying foreign shareholders in two (2) different countries. These Shares of the non-qualifying foreign shareholders are equivalent to entitlements to 30,000 New Shares (\$4,500 at the 15 cent issue price). The entitlements of non-qualifying foreign shareholders will form part of the shortfall.

1.4 Underwriting

The Offer is underwritten by Henslow Pty Ltd [ACN 605 393 137] [AFSL 483168] (“**the Underwriter**”).

The Company has agreed to pay the Underwriter, on completion of the Rights Issue, an underwriting fee of 6% (being approximately \$195,000) (“**Underwriting Fee**”). The Underwriter reserves the right to pass on some, or all, of the Underwriting Fee to nominees.

The Underwriter is entitled to reimbursement of and indemnity against all reasonable costs and expenses of and incidental to the Rights Issue.

The percentage of Shares in the Company directly or indirectly held by the Underwriter must not exceed 19.9%. The Underwriter may arrange sub-underwriters or others not associated with it to receive New Shares, ensuring that this limit is not exceeded.

For further details of the underwriting agreement refer to Section 10.

1.5 Shortfall

Any part of your entitlement to New Shares under this Prospectus not taken up will form part of the shortfall.

Subject to the underwriting agreement, the Company reserves the right to offer and issue any remaining shortfall in New Shares at its discretion within 3 months after the Closing Date. The offer of New Shares from the shortfall is an offer of the New Shares offered under the Rights Issue not otherwise taken up by Eligible Shareholders.

1.6 ASX Listing

The Company will apply to ASX for admission of the New Shares to official quotation within 7 days of lodgement of the Prospectus. The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or those securities.

If ASX does not grant permission for the Official Quotation of the New Shares within three months after the date of issue of this Prospectus (or such period as is permitted by the Corporations Act), the Company, in its absolute discretion, will either repay the acceptance monies to applicants without interest or (subject to any necessary ASIC or ASX waivers or consents being obtained) issue a supplementary or replacement prospectus and allow applicants one month to withdraw their acceptances and be repaid their acceptance monies without interest.

2. Purpose of the Offer

As announced to the ASX on 9 May 2016 the Company has entered a conditional agreement with 180 Group Holdings Pty Ltd, a wholly owned subsidiary of ASX-listed FSA Group Limited, to acquire its subsidiary company which owns and operates a factoring business (**180 Acquisition**). The 180 Acquisition will, in part, be funded from the existing cash reserves of the Company. Funds raised through the Rights Issue (after costs) will be used to replenish the Company's cash reserves and thereafter used for the general working capital requirements of the Company. In the event that the 180 Acquisition does not proceed the Company may elect to withdraw the Rights Issue. If this occurs application funds received will be returned to applicants (without interest).

The Company may seek other or further opportunities, whether in connection with or ancillary to its existing projects or in other areas, however there is no certainty that any other or further opportunity will be identified or, if identified, would be secured by the Company on satisfactory terms, at any particular time or at all. The Company may consider the allocation of part of the funds raised under this Prospectus to those opportunities depending on its assessment of those opportunities, alternative sources of funding those opportunities (if any) that might be available, and its other working capital and expenditure requirements at the time. It should be noted that the Company may also, from time to time, investigate opportunities for the divestment of non-core assets and businesses.

3. Risks

The Company's business activities are subject to a range of risks that may in the future affect the performance of the Company and the value of New Shares.

The summary below represents some of the major risk factors to be aware of in evaluating the Company's business and the risks of an investment in the Company before making any decision regarding applying for New Shares or investing in the Company. The summary is not exhaustive.

A review of operations is included as part of the half-yearly report of the Company to ASX, the most recent of which was released to ASX on 25 February 2016. The Company also will continue to make announcements regarding its activities, proposals and projects in accordance with its obligations as a continuously disclosing entity. Shareholders should therefore refer to and consider announcements made by the Company to ASX after the date of this Prospectus.

All information contained in this Prospectus should be considered, in conjunction with any specific matters which have or may be referred to in the Company's ASX announcements, and professional advisors consulted before making any decision regarding applying for New Shares under this Prospectus.

The New Shares offered under this Prospectus should be considered speculative.

3.1 Company Specific Risks

(A) 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).

CML Group 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 Information Memorandum CML Group has incurred three bad debts to the value of approximately \$130,000. CML made successful claims for each of these under the trade credit insurance policy receiving total payments of approximately \$96,000. Whilst to date CML Group has incurred only three bad debts there is a risk that as the factoring business of the Company grows so too will the gross level of bad debts.

In first-half of 2015, the Company made a provision of \$900,000 relating to a client in the construction industry that has gone into administration. The exposure was ineligible for insurance as the invoice in question was set off against unsatisfactory performance. The risk of this reoccurring has been mitigated by an improved credit policy that excludes funding of businesses in industries that are exposed to contractual risk. The Company is reviewed regularly through internal audit and external audit by PricewaterhouseCoopers to ensure compliance with this credit policy.

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.

(B) Credit Risk and Fraud

All factoring companies are exposed to the risk of fraud from its clients. During FY16 the Company experienced an isolated and sophisticated fraud whereby one client presented fraudulent invoices. This issue was picked up by the Company's internal processes within 6 weeks. The Company moved quickly to call its facility and the associated personal guarantees as well as lodging a caveat over the Director's property. The Company expects the net loss to be no more than \$0.5m.

Subsequently, the Company has moved to reinforce and enhance its internal procedures including employment of a new compliance officer to increase internal audit style procedures. Further, the Company has conducted a complete review of all clients and debtors with an exposure of greater than \$50,000 and are confident that this is an isolated issue.

The net loss is expected to be within CML's provision for bad debts. On 29 April 2016, the Company reaffirmed that its FY16 full year guidance will remain within expectations despite the effect of this isolated incident.

(C) 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.

(D) 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 has assumed the role of Chairman and Daniel Riley has agreed to remain as Managing Director and CEO until 18 November 2017. Both Daniel Riley and Greg Riley have been with the Company since its commencement in 2002.

During the past 18 months, the Company undertook a Board renewal process, adding new directors with strong expertise in capital markets and invoice finance. Board appointments include Richard Farrington, appointed to the Board as a non-executive director on 22 December 2014 and Geoff Sam, appointed to the Board on 11 March 2015.

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 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.

(E) 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 (including contracts with major customers) contain provisions allowing for early termination or termination for convenience. If a third party exercises its rights in relation to early termination, there is no guarantee 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 Company's business.

(F) Availability of funding

The Company's ability to effectively implement its business strategy over time (particularly in the finance division) is dependent on its ability to secure sufficient funding. 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.

(G) 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.

(H) Insurance arrangement

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.

(I) 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.

(J) 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.

(K) Dilution

The percentage shareholding in the Company of existing shareholders who do not take up their rights pursuant to the Rights Issue will be diluted. Further details of the potential dilutive impact of the Rights Issue are set out in Section 5.1.

(L) Speculative nature of investment

Acquiring or dealing with shares involves risks. An investment in the Company involves risks that may be higher than the risks associated with an investment in other companies.

No guarantee can be given about the market value or price of the New Shares (which may be less than the issue price).

The New Shares carry no guarantee with respect to the payment of dividends, return of capital or their market value or price.

(J) Economic risks

General economic conditions (see further below) may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

3.2 Other Risks

(A) General Economic Climate

Factors such as inflation, currency fluctuations, interest rates, legislative changes, political decisions and industrial disruption have an impact on the Company's operating costs. The Company's future income, asset values and share price can be affected by these factors and, in particular, by the market price for any services or products that the Company may sell.

(B) Market Conditions

The value of the Company's quoted securities may be affected by sharemarket conditions regardless of the Company's prospects or performance.

The market price of the Company's securities may be subject to a variety of unpredictable influences on the market for equities. These market conditions may affect the value of the Company's securities regardless of the Company's performance. Lack of liquidity may also affect the value of the Company's securities. The trading price of the New Shares may fall as well as rise.

3.3 Above risk factors not exhaustive

The above risk factors should not be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of New Shares offered under this Prospectus.

Potential investors should consider that investment in the Company is speculative and should consult their professional advisors before making any decision regarding applying for New Shares or investment in the Company.

4. Effect of the Offer on the Company

The effect of the Rights Issue on the Company will be to:

- provide the funds to undertake the activities described in Section 2; and
- alter the capital structure of the Company as described in Section 5.

5. Effect on the Capital Structure of the Company

5.1 Shares and Convertible Notes

Capital Structure

The tables below set out the existing capital structure of the Company and the effect on the Company's capital structure of issuing the New Shares offered under this Prospectus.

SHARES*

Existing issued ordinary shares	108,416,553
Shares offered under this Prospectus	21,683,311
Total (assuming full subscription)	130,099,864

CONVERTIBLE NOTES*

The Company has a number of convertible notes on issue that may be converted into ordinary shares. The terms of the convertible notes are as announced to ASX on 22 December 2014.

Expiry Date	Description	Number
13 February 2020	Listed	2,228,048
3 February 2020	Listed	2,647,256
29 January 2020	Listed	5,511,827
TOTAL:		10,387,131

Note to table: The above tables assume full subscription under the Rights issue, are subject to rounding and assume that no convertible notes convert into ordinary shares between the date of this Prospectus and completion of the Rights Issue. Convertible noteholders have a right at various times to convert their notes to ordinary shares at a conversion price of \$0.25 per share including during the period of 10 days from the Company's announcement of its intention to conduct the Rights Issue. The market price of the Company's shares at the close of trading on the day prior to lodgement of this Prospectus was \$0.19. Given the significant difference between the share price and the conversion price, the Company considers it unlikely that any of the convertible notes will be converted prior to the Record Date.

Dilution

Shareholders who take up their rights pursuant to the Rights Issue will not be diluted, and will maintain their existing proportional (percentage) interest in the Company.

The percentage shareholding in the Company of shareholders who do not take up their rights pursuant to the Rights Issue will be diluted. Examples of the impact of dilution on existing holders where a shareholder does not take up its entitlement are set out below:

Shareholder (example)	Holding at the Record Date	% at the Record Date	1 for 5 entitlement under the Rights Issue	Holding if entitlement not taken up	As % of total Shares on issue after the Rights Issue
A	500,000	0.46%	100,000	500,000	0.38%
B	1,000,000	0.92%	200,000	1,000,000	0.77%
C	2,000,000	1.84%	400,000	2,000,000	1.54%
D	5,000,000	4.61%	1,000,000	5,000,000	3.84%
E	10,000,000	9.22%	2,000,000	10,000,000	7.69%

Note: The table above assumes that any shortfall is taken up in full pursuant to the underwriting arrangements (summarised in section 10) and that the total number of issued shares of the Company following completion of the Rights Issue is 130,099,864 shares. It is further assumed that the notional Shareholders in the examples above do not acquire or dispose of shares and that no convertible notes are converted into ordinary shares.

Substantial Shareholders

As at the date of this Prospectus, four shareholders have advised the Company that they (alone or with their associates) hold relevant interests in 5% or more of the voting shares of the Company.

The number of shares these substantial shareholders (and their associates, if applicable) will hold if they were to take up New Shares pursuant to the Rights Issue, assuming no convertible notes held convert into ordinary shares, would be as follows:

Shareholder	Current Holding	%	New Shares (1 for 5)	Post Rights Issue Holding if New Shares taken up	As % of total shares on issue after Rights Issue
Greg Riley*	22,011,163	20.30%	4,402,233	26,413,396	20.30%
NAOS Asset Management Limited **	21,451,406	19.79%	4,290,281	25,741,687	19.79%
First Samuel Limited **	12,206,323	11.26%	2,441,265	14,647,588	11.26%
Noel D'Souza	8,085,759	7.46%	1,617,152	9,702,911	7.46%

Notes to Table

* Greg Riley has indicated that he (and entities associated with him) do not intend to take up their entitlements under the Rights Issue.

** The Underwriter has informed the Company that NAOS Asset Management Limited and First Samuel Limited have each agreed to sub-underwrite portions of the Rights Issue. NAOS Asset Management Limited has agreed to sub-underwrite the entitlement arising from the shares in which it holds a relevant interest and, to avoid potentially increasing its relevant interest above 20% in the period between issue of New Shares to Eligible Shareholders and the issue of shares to the Underwriter and sub-underwriters, has agreed it will take up its entitlement only through its sub-underwriting arrangement (and not by acceptance of entitlements). Accordingly, its percentage relevant interest in the Company will be unchanged and maintained at 19.79%. First Samuel Limited has agreed to sub-underwrite up to a total of 13,769,697 New Shares and will be relieved from this obligation to the extent that it accepts the entitlement under the Rights Issue arising from the shares in which it holds a relevant interest. Accordingly, the maximum percentage relevant interest in the Company that First Samuel will obtain following completion of the Rights Issue is 19.97%. No fees will be paid to NAOS Asset Management Limited or First Samuel Limited.

The Underwriter

As at the date of this Prospectus, the Underwriter does not have a relevant interest in the Company.

The Underwriter has informed the Company that none of the Underwriter or sub-underwriters (or their respective associates) will receive or increase a relevant interest in 20% or more of the total issued Shares of the Company.

5.2 Pro-Forma Statement of Financial Position of the Company

Set out below is the pro-forma consolidated Statement of Financial Position of the Company as at 31 March 2016.

The financial information provided in the pro-forma Statement of Financial Position has been extracted from the reviewed Interim Financial Report of the Company for the half-year ended 31 December 2015 lodged with the ASX on 25 February 2016 and the unaudited management accounts the Company and 180 Group Pty Ltd to 31 March 2016.

The pro-forma Statement of Financial Position assumes the Rights Issue is fully subscribed (refer further below for Pro Forma adjustments) and raises \$3,252,497 less the estimated costs of the Rights Issue (being \$264,000), completion of the 180 Group Acquisition, and the issue of secured corporate notes announced to ASX on 18 May 2016.

Pro-forma consolidated Statement of Financial Position

	CML Group Limited Reviewed 31-Dec-15 \$000	CML Group Limited Unaudited management 31-Mar-16 \$000	180 Group Pty Ltd Unaudited management 31-Mar-16 \$000	Adjust- ments \$000	Notes	CML Group Limited Unaudited pro forma 31-Mar-16 \$000
Assets						
<i>Current Assets</i>						
Cash & Cash Equivalents	\$11,004	\$19,163	\$3,033	-\$8,703	[1, 2, 3, 4, 5, 6, 7]	\$13,494
Trade & Other Receivables	\$47,150	\$55,944	\$27,803	\$22,748	[8]	\$106,494
Other Current Assets	\$2,874	\$3,356	\$29	\$0		\$3,385
Total Current Assets	\$61,028	\$78,463	\$30,865	\$14,045		\$123,373
<i>Non Current Assets</i>						
Goodwill and intangibles	\$7,393	\$9,820	\$0	\$5,500	[4]	\$15,320
Property, Plant and Equipment	\$178	\$186	\$5	\$0		\$190
Deferred Tax Assets	\$1,614	\$1,614	\$151	\$0		\$1,765
Other Non Current Assets	\$0	\$0	\$1	\$0		\$1
Total Non Current Assets	\$9,185	\$11,620	\$157	\$5,500		\$17,276
Total Assets	\$70,213	\$90,082	\$31,022	\$19,545		\$140,650
Liabilities						
<i>Current Liabilities</i>						
Trade Payables	\$20,752	\$20,295	\$1,316	\$22,748	[8]	\$44,359
Other Payables	\$3,274	\$0	\$0	\$7,000	[7]	\$7,000
Borrowings	\$8	\$25	\$0	\$0		\$25
Current Tax Liabilities	\$853	\$359	\$0	\$0		\$359
Provisions	\$1,024	\$969	\$208	\$0		\$1,177
Other Current Liability	\$23	\$25	\$0	\$0		\$25
Total Current Liabilities	\$25,934	\$21,673	\$1,524	\$29,748		\$52,945
<i>Non-current Liabilities</i>						
NC Borrowings	\$33,763	\$57,831	\$29,496	-\$15,036	[3,5,6]	\$72,291
NC Provisions	\$48	\$50	\$0	\$0		\$50
Deferred tax liabilities	\$0	\$0	\$1	\$0		\$1
Other Non-current Liability	\$34	\$28	\$0	\$0		\$28
Total Non Current Liabilities	\$33,845	\$57,908	\$29,497	-\$15,036		\$72,370
Total Liabilities	\$59,779	\$79,581	\$31,021	\$14,712		\$125,314
Net Assets	\$10,434	\$10,501	\$1	\$4,833		\$15,335
Shareholders Equity						
Issued Capital	\$10,979	\$10,979	\$1	\$4,833	[1, 2]	\$15,813
Retained Earnings	-\$984	-\$2,015	\$0	\$0		-\$2,015
General Reserve	\$439	\$439	\$0	\$0		\$439
Current year's Profit	\$0	\$1,098	\$0	\$0		\$1,098
Total Shareholders Equity	\$10,434	\$10,501	\$1	\$4,833		\$15,335

Adjustments

Consistent with the above, all adjustments are rounded to the nearest \$1,000.

The Statement of Financial Position at 31 March 2016 has been adjusted to reflect the following pro-forma adjustments:

Note number:

1. Net receipt of \$1,845,000 from a placement completed on 12 May 2016 of 13,090,673 shares to raise \$1,963,000 less \$118,000 costs of the issue;
2. Net receipt of \$2,988,000 from the Rights Issue of 21,683,311 shares to raise \$3,252,000 less \$264,000 costs of the issue;
3. Net receipt of \$14,460,000 from the proposed issue of secured corporate notes announced on 18 May 2016 to raise \$15,000,000 less \$540,000 costs of the issue;
4. Recognition of goodwill of \$5,500,000 upon acquisition and consolidation of 180 Group Pty Ltd;
5. \$3,033,000 of 180 Group's borrowings being repaid from 180 Group Pty Ltd funds upon acquisition of 180 Group Pty Ltd;
6. \$26,463,000 of 180 Group's borrowings being repaid from the Company's funds upon acquisition of 180 Group Pty Ltd;
7. Drawing \$7,000,000 from existing facilities and other unsecured loans to meet secured corporate notes covenants; and
8. Recognition by the Company of 180 Group Pty Ltd's debtors (recognised by 180 Group Pty Ltd on a net basis) on a gross basis consistent with the Company's accounting policies, resulting in an increase of \$22,748,000 in trade and other receivables and a corresponding decrease in trade payables.

The Company's total number of ordinary shares on issue would be 130,099,864 (subject to rounding).

Basis of Preparation

The above pro forma Statement of Financial Position has been prepared in accordance with ASIC Regulatory Guide 230 *Disclosing non-IRRS Financial Information* issued December 2011.

The Pro-Forma Statement of Financial Position is based on actual, unaudited management accounts financial figures at 31 March 2016 and has been prepared to provide shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company following the Rights Issue. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Most recent reviewed financial statement

The Interim Financial Report for the half year ended 31 December 2015 was prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The Interim Financial Report for the six months ended 31 December 2015 contains historical financial information including the directors' report and financial statements of the type issued by Australian public companies, and the auditor's review report. The 31 December 2015 half year financial report is taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Any person may request a copy of the 31 December 2015 half year Interim Financial Report during the application period of this Prospectus, which the Company will provide free of charge. In addition, a copy may be downloaded from company announcements which are published on the ASX web site.

5.3 Costs of the offer

The estimated anticipated costs of the Rights Issue are as follows:

Particulars	Amount (\$)
Legal, printing, postage and administrative	\$35,000
Underwriting Fees*	\$195,000
ASIC and ASX Fees	\$34,000
TOTAL	\$264,000

**Refer to sections 1.4 and 10.*

6. Acceptance Instructions

6.1 Choices available under the Rights Issue

Eligible Shareholders may:

- exercise their rights to participate in the Rights Issue (and take up their Rights Issue entitlement) in full; or
- exercise their rights to participate in the Rights Issue (and take up their Rights Issue entitlement) in part; or
- take no action under this offer, and allow their Rights Issue entitlement to lapse.

Shares represented by Rights Issue entitlements not taken up will become part of the shortfall.

6.2 Completing an Entitlement and Acceptance Form

Unless paying by BPAY®* (see below), all acceptances of entitlements to New Shares must be made on the personalised Entitlement and Acceptance Form accompanying this Prospectus in accordance with the instructions set out in on the form.

** ® Registered to Bpay Pty Ltd ABN 69 079 137 518*

For payments by cheque, money order or BPAY:

Your acceptance of entitlements to New Shares or payment may not be effective if received after 5:00pm (Sydney time) on the Closing Date or such later date as the Company may specify, in which case no New Shares would be issued to you in respect of your acceptance or payment, and any payment received will be refunded to you after the date of allotment in accordance with the Corporations Act, without interest.

The amount payable on acceptance will be deemed not to have been received until the Company is in receipt of cleared funds. Payments in cash will not be accepted.

If the amount of payment received is insufficient to pay in full for the number of New Shares you have accepted or is more than required for the number of New Shares you have accepted you will be taken to have accepted the lesser of your entitlement or such whole number of New Shares which is covered in full by your payment.

If paying by BPAY:

To accept your entitlement and pay via BPAY, you should:

- read this Prospectus and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and
- make your payment via BPAY for the number of New Shares you wish to subscribe for (being the Rights Issue offer price of 15 cents (\$0.15) per New Share multiplied by the number of New Shares for which you are accepting your entitlement so that it is received no later than 5:00pm (Sydney time) on the Closing Date, or such later date as the Company may specify. You can only make a payment via BPAY if you are the holder of an account with an Australian financial institution.

If you choose to pay via BPAY you are not required to submit the Entitlement and Acceptance Form.

If your BPAY payment is received by 5:00pm (Sydney time) on the Closing Date or such later date as the Company may specify, New Shares accepted are anticipated to be issued to you on or before the date set out in the timetable on page 2 of this Prospectus (which date may change without notice).

You should be aware that your financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. You may also have your own limit on the amount that can be paid via BPAY. It is your responsibility to check that the amount you wish to pay via BPAY does not exceed your limit. The Company and the Share Registrar accept no responsibility for unsuccessful, delayed, or incomplete BPAY payments.

If you have multiple holdings you will have multiple BPAY reference numbers. To ensure that you receive your entitlement in respect of each holding, you must use the customer reference number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to accept your entitlement for in respect of that holding. Payments in excess of the amount payable for one holding will not be treated as payment for another holding, and the excess will be refunded to the applicant without interest.

If paying by cheque or money order:

To accept your entitlement and pay by cheque or money order, you should:

- read this Prospectus and the Entitlement and Acceptance Form in their entirety and seek appropriate professional advice if necessary; and
- complete the personalised Entitlement and Acceptance Form which accompanies this Prospectus (instructions for completing and returning the Entitlement and Acceptance Form are set out on the form); and
- return the completed Entitlement and Acceptance Form together with a cheque or money order for the applicable amount (being the Rights Issue offer price of 15 cents (\$0.15) per New Share multiplied by the number of New Shares for which you are accepting your entitlement) to:

**Computershare Investor Services Pty Limited
GPO Box 505, Melbourne, Victoria, 3001**

so that it is received by no later than 5:00pm (Sydney time) on the Closing Date (which is set out in the timetable on page 2 of this Prospectus), or such later date as the Company may specify. The Company and the Share Register accept no responsibility for delayed or misdelivered Entitlement and Acceptance Forms or payments.

If you choose to pay by cheque or money order you must submit the completed Entitlement and Acceptance Form.

Cheques should be made payable to "CML Group Limited" and crossed "Not Negotiable". Cheques must be payable in Australian dollars, drawn on an Australian branch of an Australian bank.

6.3 Further Information

If you have any questions about your entitlement, please contact Henslow Pty Ltd, the underwriter to the Rights Issue, on +61 (3) 8622 3333. Alternatively, contact your stockbroker or other professional adviser.

The issue of New Shares is expected to occur after the Rights Issue has closed on or before the date set out in the timetable on page 2 of this Prospectus (which date may change without notice). Thereafter statements of holdings will be despatched. It is the responsibility of recipients to determine their allocation prior to trading in New Shares. Recipients trading New Shares before they receive their statements will do so at their own risk.

The Company in consultation with the Underwriter may reject an acceptance where payment of the acceptance amount is not received or a cheque is not honoured, or without prejudice to its rights, issue New Shares in response to the acceptance and recover outstanding acceptance amount from the recipient. If your Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The

Directors' decision in consultation with the Underwriter whether to treat a form as valid and how to construe, amend or complete the form is final. The Company accepts no responsibility for failure by your stockbroker or other third parties to carry out your instructions.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Persons resident in countries outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consent is required or whether formalities need to be observed to enable them to acquire new Shares. Return of an Entitlement and Acceptance Form or payment will be taken by the Company to constitute a representation that there has been no breach of such requirements.

No account has been taken of the particular objectives, financial situation or needs of recipients of this Prospectus. Because of this, recipients of this Prospectus should have regard to their own objectives, financial situation and needs.

Recipients of this Prospectus should make their own independent investigation and assessment of the Company, its business, assets and liabilities, prospects and profits and losses, and the risks associated with investing in the Company. Independent expert advice should be sought before any decision is made to accept the Rights Issue offer, or to acquire New Shares or other securities of the Company.

7. Continuous Disclosure Obligations

This Prospectus is issued by the Company in accordance with the provisions of the Corporations Act applicable to a prospectus for continuously quoted securities.

Section 713 of the Corporations Act enables a company to issue a special prospectus where the securities under that prospectus are continuously quoted securities within the meaning of the Corporations Act. This generally means that the relevant securities are in a class of securities that were quoted enhanced disclosure securities at all times during the 3 months before the date of this Prospectus and that other requirements relating to the Company not being subject to various exemptions and orders under the Corporations Act within the last 12 months are met.

In summary, special prospectuses are required to contain information in relation to the effect of the offer of securities on the 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 and liabilities, financial position, profits and losses or prospects of the issuing company. Accordingly, this Prospectus does not contain the same level of disclosure as a prospectus of an unlisted company or an initial public offering prospectus.

Having taken such precautions and having made such enquiries as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the date of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

For the purpose of satisfying section 713(5) of the Corporations Act a prospectus must incorporate information if such information:

- (a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules; and
- (b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - the assets and liabilities, financial position and performance, profit and losses and prospects of the Company; and
 - the rights and liabilities attaching to the securities being offered.

The Prospectus must contain this information only to the extent to which it is reasonable for investors and their professional advisors to expect to find such information in the Prospectus. The Company is not aware of any matters that need to be disclosed under this section of the Corporations Act that have not been previously disclosed or which have not been set out in this Prospectus.

From time to time the Company seeks and engages in discussions on an ongoing basis in respect of potential new investment opportunities both in Australia and overseas. Funds may be used to fund the costs associated with identifying, investigation and pursuing new opportunities. From time to time the Company also investigates opportunities for the divestment of non-core assets and businesses. While the Company may seek and negotiate

potential investment or divestment opportunities in this respect, there is no certainty that any arrangement(s) will be finalised on particular terms, at a specific time, or at all. The Company will make further announcements in respect of any such discussions or negotiations in accordance with its disclosure obligations as developments occur.

As a disclosing entity under the Corporations Act, the Company is subject to regular reporting and disclosure obligations. Copies of documents lodged with ASX and ASIC in relation to the Company may be obtained from or inspected by accessing the respective web sites.

Any person may request, and the Company will provide free of charge, a copy of each of the following documents during the acceptance period of this Prospectus. Such documents are also available on-line from the ASX web site.

- (a) the Interim Financial Report of the Company for the half year ended 31 December 2015 (lodged with ASX on 25 February 2016).
- (b) the Annual Financial Report of the Company for the financial year ended 30 June 2015 (lodged with ASX on 28 September 2015), being the most recent annual financial report of the Company before the lodgement of this Prospectus with ASIC;
- (c) any continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report referred to in (b) above before lodgement of this Prospectus. Continuous disclosure notices given by the Company since the lodgement of the Annual Financial Report to the date of this Prospectus are listed in Section 8 of this Prospectus.

8. ASX Announcements

The following announcements (continuous disclosure notices) have been made by the Company to ASX since lodging its audited financial statements (Annual Report) for the year ended 30 June 2015:

Date	Headline
18/05/2016	Senior Secured Corporate Note Extension and Information Memo
17/05/2016	Becoming a substantial holder
16/05/2016	Becoming a substantial holder
16/05/2016	Change of Director's Interest Notice
13/05/2016	Trade Finance Loan Book & Compliance as at 30 April 2016
13/05/2016	Change of Director's Interest Notice - GS
12/05/2016	1-for-5 Non-Renounceable Rights Issue and Appendix 3B
12/05/2016	SECTION 708A(5) NOTICE AND APPENDIX 3B
12/05/2016	\$2.0m Placement Successfully Completed
9/5/2016	Acquisition, capital raising & upgrade to earnings guidance
9/5/2016	FSA: Sale of factoring business
03/05/2016	Change of Director's Interest Notice – GR & RF
02/05/2016	Results of Meeting
29/04/2016	Quarterly Report to Trustee and ASIC
27/04/2016	SECTION 708A(5) NOTICE AND APPENDIX 3B
27/04/2016	Trading Update & Full Year Guidance
15/04/2016	Trade Finance Loan Book & Compliance as at 31 March 2016
13/04/2016	Appendix 3B
01/04/2016	Notice of General Meeting/Proxy Form
31/03/2016	Updated – Dividend/Distribution – CGR
24/03/2016	CML Group Limited Completes Acquisition
24/03/2016	CML Group Corporate Bond Offering Successful
15/03/2016	Trade Finance Loan Book & Compliance as at 29 February 2016
08/03/2016	Debt Investor Update
08/03/2016	CML Group announces further senior corporate note offering
25/02/2016	Dividend/Distribution - CGR
25/02/2016	H1'16 Investor Presentation
25/02/2016	Half Yearly Reports and Accounts

Date	Headline
15/02/2016	Trade Finance Loan Book & Compliance as at 31 January 2016
11/02/2016	Trading Update & New Acquisition
28/01/2016	Quarterly Report to Trustee and ASIC
15/01/2016	Trade Finance Loan Book & Compliance as at 30 December 2015
08/01/2016	Change of Director's Interest Notice - RF
23/12/2015	Interest Payment – CGRG
15/12/2015	Trade Finance Loan Book & Compliance as at 30 November 2015
08/12/2015	Change of Director's Interest Notice – RF
17/11/2015	2015 CML Group AGM Results
13/11/2015	Trade Finance Loan Book & Compliance as at 31 October 2015
03/11/2015	Notice of Annual General Meeting Update and Proxy Form
30/10/2015	Quarterly Report to Trustee and ASIC
28/10/2015	Notice of Annual General Meeting
26/10/2015	Change of Director's Interest Notice – RF
21/10/2015	Australian Microcap Investment Conference Presentation
15/10/2015	Trade Finance Loan Book & Compliance as at 30 September 2015
07/10/2015	Change of Director's Interest Notice – RF
29/09/2015	Change of Director's Interest Notice – RF
28/09/2015	Appendix 4G
28/09/2015	Annual Report to shareholders

Any person may request, and the Company will provide free of charge, a copy of any of the above announcements during the application period of this Prospectus.

The Company may make further announcements to ASX from time to time. Copies of announcements are released by ASX on its website, www.asx.com.au. Copies of announcements can also be obtained from the Company upon request and will be made available at the Company's website www.cml-group.com.au. Prospective investors are advised to refer to ASX's website for updated releases about events or matters affecting the Company.

In making statements in this Prospectus it is noted 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.

9. Terms of Securities Offered

New Shares

The New Shares will be fully paid ordinary shares in the capital of the Company, which will rank equally with, and will have the same voting and other rights as the existing issued shares of the Company. The rights attaching to the Company's shares are set out in the Company's Constitution, the Listing Rules of ASX and the Corporations Act. The Company's Constitution has been lodged with ASIC. The Constitution contains provisions of the kind common for public companies in Australia and is taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Any person may request a copy of the Constitution during the application period of this Prospectus, which the Company will provide free of charge.

10. Underwriting

Pursuant to an agreement between Henslow Pty Ltd, as Underwriter, and the Company dated 18 May 2016 (“**the Underwriting Agreement**”), the Underwriter has agreed to fully underwrite the Rights Issue. The number of shares underwritten by the Underwriter will not be affected by the issue of any new shares by the Company prior to the Record Date as a result of the conversion of convertible notes into ordinary shares (if any).

All valid acceptances of entitlements will go in relief of the Underwriter's obligations.

The Company has agreed to pay the Underwriter, on completion of the Rights Issue an underwriting fee of 6% (being approximately \$195,000). The Underwriter is entitled to reimbursement of and indemnity against all reasonable costs and expenses of and incidental to the Rights Issue.

The percentage of Shares in the Company directly or indirectly held by the Underwriter must not exceed 20%. The Underwriter will arrange sub-underwriters or others not associated with it to receive New Shares, ensuring that this limit is not exceeded.

The obligation of the Underwriter to underwrite the Rights Issue is subject to certain events of termination. The Underwriter may terminate its obligations under the Underwriting Agreement on the occurrence of any of the events summarised below:

- (a) the Ordinaries Index Number or the Dow Jones Industrial Average is at any time more than the market fall percentage of 10% below its level as at the close of business on the Business Day immediately preceding the date of the Underwriting Agreement;
- (b) 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;
- (c) 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;
- (d) any material adverse change occurs in the financial position of the Company;
- (e) any Director or Officer of the Company named in the Prospectus dies or is charged with or convicted of an indictable offence;
- (f) 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);
- (g) the adoption or announcement by or on the authority of the government of the Commonwealth of Australia of:
 - (i) 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 this Agreement; or
 - (ii) 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 Rights Issue;
- (h) 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;
- (i) 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 Rights Issue is or becomes false or misleading;
- (j) 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;
- (k) 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;
- (l) 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;

- (m) a receiver or receiver and manager is appointed to all or any part of the assets or undertaking of the Company;
- (n) the Company enters into any scheme of arrangement with its creditors or any class of them or indicates its intentions to do so;
- (o) the Company suspends payments of its debts or is unable to pay its debts within the meaning of the Corporations Act;
- (p) the Company is placed under external administration or an external administrator is appointed;
- (q) a provisional liquidator is appointed to the Company;
- (r) 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;
- (s) the Company fails to furnish a certificate that none of the above have occurred and that the Company has complied with all obligations on its part to be performed in respect of the Rights Issue, the Underwriting Agreement, the Corporations Act and the ASX Listings Rules and that the Company is not otherwise in breach of the Underwriting Agreement; or
- (t) 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.

The occurrence of any of the above listed events will not entitle the Underwriter to terminate the Underwriting Agreement unless, in the opinion of the Underwriter reached in good faith and acting reasonably, the event has or could have a material adverse effect on the success of the rights issue. The Underwriter will notify the Company and ASX immediately upon exercise of its right to terminate the Underwriting Agreement.

The Underwriting Agreement also contains a number of indemnities and representations and warranties from the Company to the Underwriter commonly included in an agreement of its type.

11. Directors' Interests

11.1 Securities

Directors' existing interests in securities and participation in the Rights Issue

The Directors' direct and indirect interests in securities of the Company as at the date of this Prospectus are as set out in the following table.

The Directors are entitled to participate in the Rights Issue without the need for shareholder approval.

Mr Greg Riley and Mr Daniel Riley have indicated that neither they (nor any of his associates) intend to take up their entitlement. As at the date of this Prospectus the remaining Directors have indicated they intend to take up their respective entitlements in full.

The potential effect of the Rights Issue on the direct and indirect share holdings of Directors is set out in the following table:

SHARES

Director/Shareholder (and/or associate(s))	Existing		Post Issue		Convertible notes
	Shares	%	Shares	%	
Greg Riley *	22,011,163	20.30%	26,413,396	20.30%	50,000
Daniel Riley *	3,129,761	2.89%	3,755,714	2.89%	50,000
Richard Farrington	1,671,550	1.54%	2,005,860	1.54%	-

Sue Healy	326,072	0.30%	391,287	0.30%	-
Geoff Sam	1,024,000	0.94%	1,228,800	0.94%	-

Notes to table

- Assumes no convertible notes are converted into ordinary shares in the Company.
- * As noted above, neither Mr Greg Riley or Mr Daniel Riley intend to take up their entitlements to shares under the Rights Issue. Notwithstanding these intentions, in the interests of full disclosure, the table above shows the maximum percentage relevant interest which the Directors may obtain if they were to take up their maximum entitlements under the Rights Issue.

11.2 Remuneration & Payments to Directors

Fees and other remuneration

Directors are entitled to receive directors' fees and other remuneration (which may include consulting fees) from the Company in relation to services provided to the Company.

Set out below is details of the remuneration paid to Directors in the two years prior to lodgement of this Prospectus. Remuneration details of Richard Farrington (appointed 18 November 2014) and Geoff Sam (appointed 11 March 2015) are from the date of their respective appointments:

Director	May 2014 – May 2016
Greg Riley	\$105,417
Daniel Riley	\$654,083
Richard Farrington	\$57,562
Sue Healy	\$70,000
Geoff Sam *	\$48,925

Note to table:

* Mr Sam (or entities associated with him) have made an unsecured loan to the Company and is entitled to received interest on the outstanding balance of the loan facility at a rate of 10% per annum, the current outstanding balance of the loan facility is \$2 million.

Other

Except as disclosed in this Prospectus:

- no person has paid or agreed to pay any amount to any Director or has given or agreed to give any benefit to any Director, to induce the Director to become, or to qualify as, a Director of the Company or otherwise for services rendered by the Director in connection with the formation or promotion of the Company or the Rights Issue.
- no Director or proposed Director has, or has had within two years of lodgement of this Prospectus, any interest in:
 - the formation or promotion of the Company; or
 - any property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Rights Issue; or
 - the Rights Issue.

12. Taxation

Recipients of the Rights Issue offer should seek and obtain their own taxation advice before accepting entitlements to Shares so that they may first satisfy themselves of any taxation implications associated with acquiring Shares.

13. Overseas Shareholders

13.1 Overseas Investors

This Prospectus and the accompanying Entitlement and Acceptance Form do not constitute an Offer in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such an offer.

Shareholders holding Shares on behalf of persons who are resident overseas (except in New Zealand) are responsible for ensuring that taking up the Rights Issue offer does not breach regulations in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form or payment will be taken by the Company to constitute a representation that there has been no breach of such regulations. Shareholders who are nominees are therefore advised to seek independent advice as to how they should proceed. The Rights Issue offer has not been, and will not be, registered under the US Securities Act and has not been made in the United States of America or to persons resident in the United States of America.

The Company is of the view that it is unreasonable to make the Rights Issue offer to Shareholders outside of Australia and New Zealand having regard to:

- (a) the number of Shareholders registered outside of Australia and New Zealand;
- (b) the number and value of securities to be offered to Shareholders registered outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements and requirements of regulatory authorities in overseas jurisdictions.

Accordingly, the Company is not required to make the Rights Issue offer to non-qualifying foreign shareholders (Shareholders with addresses on the Company's register of Members outside of Australia and New Zealand) whose entitlements will form part of the shortfall.

13.2 New Zealand Regulatory Requirements

This Rights Issue to New Zealand investors is a regulated Rights Issue made under Australian and New Zealand Law. In Australia, this is Chapter 8 of the Corporations Act and Corporations Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings - Australia) Regulations 2008. This Rights Issue and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Corporations Regulations set out how the Rights Issue must be made.

The Company's address for service of documents in New Zealand in respect of the Rights Issue is care of its agent Tavendale and Partners Limited, PO Box 442, Christchurch, New Zealand, 8140. Tavendale and Partners Limited has had no involvement in the preparation of any part of the Prospectus other than being named as New Zealand agent.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Rights Issue. If you receive this offer in New Zealand and need to make a complaint about this Rights Issue, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain as to whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial advisor.

The Rights Issue may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a financial market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation

of participants in that market, and the information available to you about the securities and trading may differ from markets that operate in New Zealand.

13.3 Other Countries

This Prospectus does not constitute an offer for securities in any place where, or to any person whom, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law, and any persons outside Australia and New Zealand who comes into possession of this Prospectus should seek advice on, and observe any, such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify the Shares or the Rights Issue or otherwise to permit a public offering of the securities in any jurisdiction outside Australia and New Zealand. The Shares have not been, and will not be, registered under the United States Securities Act of 1933 and should not be offered or sold within the USA. Any person accessing the electronic version of this Prospectus for the purpose of investing in the Company must only access it from within Australia and New Zealand.

14. Privacy

Personal information is collected on the Entitlement and Acceptance Forms by the Company and its Share Registrar for maintaining registers of security holders, facilitating distribution payments and other corporate actions and communications. Acceptances might not be processed efficiently, or at all, if the information requested is not provided. Personal information about recipients may be disclosed to external service providers such as print or mail service providers as required or permitted by law. A recipient who would like details of their personal information held by the Company or its Share Registrar, or who would like to correct information that is incorrect or out of date, should contact the Company Secretary at the address shown in the Corporate Directory on page 1 of this Prospectus. In accordance with the Corporations Act, recipients may be sent material (including marketing material) in addition to general corporate communications. Recipients may elect not to receive marketing material by contacting the Share Registrar. Recipients can also request access to, or corrections of, personal information held by the Company by writing to the Company.

15. Electronic Prospectus

This Prospectus is available in electronic format via the ASX website, www.asx.com.au.

Persons having received this Prospectus in electronic form may, during the offer period, obtain a paper copy of this Prospectus (free of charge) by contacting Henslow Pty Ltd, the underwriter to the Rights Issue, on +61 (3) 8622 3333.

Acceptances of Rights Issue entitlements may only be made by BPAY or on the personalised Entitlement and Acceptance Form which accompanied or was attached to a copy of this Prospectus in its paper copy form or a print out of the form which formed part of or was accompanied by the complete and unaltered electronic version of this Prospectus. The Corporations Act prohibits any person from passing on to another person an Entitlement and Acceptance Form unless it is attached to or accompanied by a hard copy of this Prospectus or by the complete and unaltered electronic version of this Prospectus.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the complete and unaltered electronic version of this Prospectus.

16. Investment Decisions

The information in this Prospectus does not constitute financial product advice. This Prospectus does not take into account the investment objectives, financial situation, tax position and particular needs of individual investors. Investors should obtain their own independent advice and consider the appropriateness of the Rights Issue offer of shares pursuant to this Prospectus having regard to their own objectives, financial situation, tax position and needs.

17. Future Performance

Except as required by law, and only then to the extent so required, neither the Company nor any other person warrants the future performance of the Company, or any return on any investment made pursuant to this Prospectus. An investment in the securities offered by this Prospectus should be considered speculative.

18. Consents

Computershare Investor Services Pty Limited has given and, as at the date hereof, not withdrawn, its written consent to be named as share registry in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of the Prospectus other than being named as share registry to the Company. Computershare Investor Service Pty Ltd has not authorised or

caused the issue of any part of the Prospectus and, to the extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

Tavendale and Partners Limited has given, and, as at the date hereof, not withdrawn, its written consent to be named as New Zealand agent to the Rights Issue in the form and context in which it is named. Tavendale and Partners Limited has had no involvement in the preparation of any part of the Prospectus other than being named as New Zealand agent to the Rights Issue. Tavendale and Partners Limited has not authorised or caused the issue of any part of the Prospectus and, to the extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

Henslow Pty Ltd has given, and, as at the date hereof, not withdrawn, its written consent to be named as the Underwriter of the Rights Issue in the form and context in which it is named. Henslow has had no involvement in the preparation of any part of the Prospectus other than being named as the Underwriter and providing confirmation that it has no relevant interest in issued shares of the Company and providing the identities, details and relevant interest in issued shares of the Company of sub-underwriters. Henslow Pty Ltd has not authorised or caused the issue of any part of the Prospectus and, to the extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

First Samuel Limited has given, and, as at the date hereof, not withdrawn, its written consent to be named as a sub-underwriter of the Rights Issue in the form and context in which it is named. First Samuel Limited has had no involvement in the preparation of any part of the Prospectus other than being named as a sub-underwriter and substantial holder. First Samuel Limited has not authorised or caused the issue of any part of the Prospectus and, to the extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

NAOS Asset Management Limited has given, and, as at the date hereof, not withdrawn, its written consent to be named as a sub-underwriter of the Rights Issue in the form and context in which it is named. NAOS Asset Management Limited has had no involvement in the preparation of any part of the Prospectus other than being named as a sub-underwriter and substantial holder. NAOS Asset Management Limited has not authorised or caused the issue of any part of the Prospectus and, to the extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus.

19. Enquiries

You should contact your stockbroker, accountant or independent professional financial adviser before making any decision regarding your entitlement to new Shares or investment in the Company, including deciding whether to accept your entitlement to Shares.

If you have any questions regarding how to complete the Entitlement and Acceptance Form, please contact Henslow Pty Ltd, the Underwriter to the Rights Issue, on +61 (3) 8622 3333.

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

Directors' Authorisation Statement

The Directors of the Company have authorised the lodgement of this Prospectus with ASIC.

A handwritten signature in purple ink, appearing to read 'Daniel Riley', with a long horizontal flourish extending to the right.

Daniel Riley
Director



CGR

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See overleaf for details of the Offer and how to make your payment

Non-Renounceable Rights Issue — Entitlement and Acceptance Form

Your payment must be received by 5:00pm (AEST) Wednesday, 8 June 2016

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

Choose one of the payment methods shown below.

Step 1: Registration Name & Offer Details

Details of the shareholding and entitlements for this Offer are shown overleaf.

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all or part of your Entitlement. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Prospectus dated 19 May 2016.

BPAY®: See overleaf. Do not return the payment slip with BPAY payment.

By Mail: Complete the reverse side of the payment slip and detach and return with your payment. Make your cheque, bank draft or money order payable in Australian dollars to **"CML Group Limited"** and cross **"Not Negotiable"**. The cheque must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the payment slip. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →


Entitlement and Acceptance Form

X 9999999999

I ND

STEP 1**Registration Name & Offer Details**

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

 For your security keep your SRN/HIN confidential.

Entitlement No: XXXXXXXX

Offer Details: Existing shares entitled to participate as at 25 May 2016:

X,XXX

Entitlement to New Shares on a 1 for 5 basis:

X,XXX

Amount payable on full acceptance at \$0.15 per New Share:

\$XX.XX

STEP 2**Make Your Payment**

Bill Code: XXXXXX
Ref No: XXXX XXXX XXXX XXXX

Contact your financial institution to make your payment from your cheque or savings account.

Pay by Mail:

Make your cheque, bank draft or money order payable to "CML Group Limited" and cross "Not Negotiable".

Return your cheque with the below payment slip to:

Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Lodgement of Acceptance

If you are applying for New Shares and your payment is being made by BPAY, you do not need to return the payment slip below. Your payment must be received by no later than 5:00pm (AEST) Wednesday, 8 June 2016. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor CML Group Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the payment slip below must be received by CIS by no later than 5:00pm (AEST) Wednesday, 8 June 2016. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the payment slip below with cheque attached. Neither CIS nor CML Group Limited accepts any responsibility if you lodge the payment slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuers administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

Detach here

CML Group Limited Acceptance Payment Details

Entitlement taken up:

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Amount enclosed at \$0.15 per New Share:

A\$

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Entitlement No: 99999999

Payment must be received by 5:00pm (AEST) Wednesday, 8 June 2016

Contact Details

Contact Name _____ **Daytime Telephone** _____

Cheque Details

Drawer	Cheque Number	BSB Number	Account Number	Amount of Cheque																																								
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