

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES OF AMERICA (“USA”)

14 October 2016

Salmat (ASX:SLM) launches equity raising via entitlement offer for \$15 million

Salmat Limited (“Salmat”) today announces the launch of a \$15 million raising via a fully underwritten accelerated non-renounceable entitlement offer (“equity raising”). The equity raising is being undertaken to fund consideration relating to the acquisition of MicroSourcing International (“MicroSourcing”), acquired in August 2016.

The raising includes an offer to eligible institutional shareholders (“Institutional Entitlement Offer”) and an offer to eligible retail shareholders (“Retail Entitlement Offer”).

All eligible shareholders are entitled to 1 new fully paid ordinary share for every 4.7 shares held, at an issue price of 43 cents per share. A total of approximately 35 million shares will be offered under the equity raising. Eligible shareholders can choose to take up their entitlements in whole, in part or not at all. Shares issued pursuant to the offer will rank equally with all shares on issue.

MicroSourcing acquisition

Salmat acquired the remaining 50% of MicroSourcing International on 10 August 2016. This completed the transaction that commenced with the acquisition of an initial 50% share and full management control in February 2014.

MicroSourcing is a Philippines-based outsourced services business that has expanded Salmat’s capabilities and scale in the Philippines. MicroSourcing has experienced 35% compound annual growth (CAGR)¹ in revenue under Salmat’s control since 2014, and contributed \$64.1 million to Salmat’s FY16 revenue².

The first 50% was acquired for US\$7.75 million plus US\$3.02 million in performance-related deferred consideration. The final 50% was acquired for US\$24.1 million. A total of US\$15.3 million cash and US\$1.7 million in shares was paid on 10th August 2016. The remaining amount of US\$7.1 million will be in the form

¹ Compound Annual Growth Rate. Assumed an average AUD/USD of 1.13375 in 2014.

² MicroSourcing revenue before intercompany eliminations

of deferred payments in either cash or shares, to be completed by August 2017 (“Acquisition”). Further details on MicroSourcing are contained in the investor presentation to be released to the ASX today.

Impact and Outlook

MicroSourcing is already 100% consolidated in Salmat’s FY16 Financial Statements. The final 50% acquisition eliminated any non-controlling interest in MicroSourcing, which will continue to operate under the MicroSourcing name and existing management.

Salmat’s key agenda for FY17 is driving sales and growing profitable revenue, with positive operating cash flow. Salmat expects EBITDA growth in FY17.

Equity Raising

Salmat is undertaking a fully underwritten Equity Raising comprising a 1 for 4.7 accelerated non-renounceable entitlement offer to raise approximately \$15 million at the Offer Price of \$0.43 per New Share. Shareholders Proceeds of the Equity Raising will fund the Acquisition.

The Offer Price represents:

- 8.7% discount to TERP of \$0.47³, and
- 10.4% discount to the \$0.48 closing price on Thursday, 13 October 2016

Peter Mattick, the Salter family and other major shareholders (representing approximately 83% of existing shares on issue) have committed to take up their pro-rata entitlement in the Equity Raising. Peter Mattick and a major shareholder have also entered into an arms length sub-underwriting agreement to sub-underwrite up to \$2.1 million of the Equity Raising at the Offer Price.⁴

The Equity Raising is non-renounceable and rights will not be traded on the ASX or be otherwise transferable. Eligible Shareholders who do not take up their entitlement under the Equity Raising in full or in part, will not receive any value in respect of those entitlements not taken up.

New Shares will rank pari passu with existing shares on issue.

The Offer is fully underwritten by Macquarie Capital (Australia) Limited as Lead Manager and Underwriter.

All eligible Salmat Directors intend to take up their entitlement in full.

³ The Theoretical Ex-Rights Price (TERP) is the theoretical price at which Salmat securities should trade after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which Salmat securities trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to TERP. TERP is calculated exclusive of the Institutional Placement, and by reference to Salmat’s last closing price on Thursday 13 October 2016.

⁴ Existing shareholders, including Peter Mattick, who have pre-committed to take up their pro rata entitlements and/or sub-underwrite the Equity Raising will be paid market based fees by the Underwriter

Institutional Entitlement Offer

Eligible Institutional Shareholders will be invited to participate in the Institutional Entitlement Offer which is being conducted today Friday, 14 October 2016. Eligible Institutional Shareholders can choose to take up all, part or none of their entitlement. Institutional entitlements cannot be traded on market.

Institutional entitlements that Eligible Institutional Shareholders do not take up by the close of the Institutional Entitlement Offer, and institutional entitlements that would otherwise have been offered to Ineligible Institutional Shareholders, will be offered to Eligible Institutional Shareholders who apply for New Shares in excess of their entitlement, as well as to certain other Institutional Investors.

Retail Entitlement Offer

Eligible Retail Shareholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as the Institutional Entitlement Offer. The Retail Entitlement Offer will open on 9:00am (Sydney time) on Friday 21 October 2016 and close at 5.00pm (Sydney time) on Monday, 7 November 2016. Under the Retail Entitlement Offer, Eligible Retail Shareholders may also apply for additional shares in excess of their entitlement up to a maximum of 50% of their entitlement. The allocation of additional shares and any scale back will be at the Board's absolute discretion.

Further details about the Retail Entitlement Offer will be set out in a booklet (Retail Offer Booklet), which Salmat expects to lodge with the ASX on Tuesday, 18 October 2016, in advance of the despatch date (as detailed further below). For Eligible Retail Shareholders who wish to take up all or part of their Entitlement, payment must be made via BPAY® or by cheque by following the instructions set out on the personalised Entitlement and Acceptance Form. Payment is due by no later than 5.00pm (Sydney time) on Monday, 7 November 2016. The Retail Offer Booklet and accompanying Entitlement and Acceptance Form are expected to be despatched on Friday, 21 October 2016.

Key Dates*

<i>Key event</i>	<i>Date</i>
Trading halt and announcement of Offer	Friday, 14 October 2016
Institutional Entitlement Offer conducted	Friday, 14 October 2016
Trading halt lifted – shares recommence trading on ASX on an “ex-entitlement” basis	Monday, 17 October 2016

Record date for determining entitlement to subscribe for New Shares	7:00pm Tuesday, 18 October 2016
Retail Entitlement Offer opens	9:00am Friday, 21 October 2016
Retail Offer Booklet despatched	Friday, 21 October 2016
Settlement of Institutional Entitlement Offer	Monday, 24 October 2016
Allotment and normal trading of New Shares under the Institutional Entitlement Offer	Tuesday, 25 October 2016
Retail Entitlement Offer closes	Monday, 7 November 2016
Allotment of New Shares under the Retail Entitlement Offer	Tuesday, 15 November 2016
Despatch of holding statements and normal trading of New Shares issued under the Retail Entitlement Offer	Wednesday, 16 November 2016

* All dates and times are indicative only and subject to change. Unless otherwise specified, all times and dates refer to Sydney time. Salmat reserves the right to amend any or all of these dates and times subject to the Corporations Act, the ASX Listing Rules and other applicable laws. In particular, Salmat reserves the right to extend the closing date for the Retail Entitlement Offer, to accept late applications under the Retail Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the allotment date for New Shares under the Retail Entitlement Offer.

Salmat also reserves the right not to proceed with the Entitlement Offer in whole or in part at any time prior to allotment and issue of the New Shares under the Retail Entitlement Offer. In that event, the relevant Application Monies (without interest) will be returned in full to Applicants.

Additional Information

Additional information regarding the Acquisitions and Entitlement Offer is contained in the investor presentation released to the ASX today. The Retail Offer Booklet will be released to the ASX separately and mailed to Eligible Retail Shareholders.

Nothing contained in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making any investment decision. If you have any questions about the Retail Entitlement Offer, please do not hesitate to contact Salmat's Offer Information Line on 1300 365 969 (from within Australia) or +61 1300 365 969 (from outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday during the Retail Offer Period.

-ENDS-

For further information, please contact:

Craig Dower
Chief Executive Officer
+612 9928 6500

Peter Mattick
Chairman
+612 9928 6500

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. Neither the entitlements nor the New Shares have been, nor will be, registered under the U.S. Securities Act of 1933, as amended (“U.S. Securities Act”) or the securities laws of any state or other jurisdiction of the United States.

The entitlements may not be taken up by, and the New Shares may not be offered or sold to, directly or indirectly, any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

The distribution of this announcement in other jurisdictions outside Australia may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Forward looking statements

Certain statements contained in this announcement are “forward-looking statements”. Forward looking statements can generally be identified by the use of forward looking words such as “anticipate”, “expect”, “likely”, “intend”, “should”, “could”, “may”, “propose”, “will”, “believe”, “forecast”, “estimate”, “target”, “outlook”, “guidance” and other similar expressions within the meaning of securities laws of applicable jurisdictions and include, but are not limited to, statements relating to the impact of the acquisition of the MicroSourcing International, the future performance of Salmat and the outcome and effects of the Entitlement Offer and use of proceeds. Forward-looking statements, opinions and estimates provided in this announcement are inherently uncertain and are based on assumptions and estimates which are subject to certain risks, uncertainties and change without notice, as are statements about market and industry trends, which are based on interpretation of market conditions. Actual results and performance may vary materially because events and actual circumstances frequently do not occur as forecast and future results are subject to known and unknown risk such as changes in market conditions and in regulations. Investors should form their own views as to these matters and any assumptions on which any of the forward-looking statements are based and not place reliance on such statements. To the maximum extent permitted by law, Salmat and its directors, officers, employees, advisers, agents and intermediaries disclaim any obligation or undertaking to release any updates or revisions to the information to reflect any change in expectations or assumptions.