

SMILES INCLUSIVE LIMITED

ACN 621 105 824

Retail Entitlement Offer Information Booklet

Details of a 1 for 1 underwritten pro rata accelerated non-renounceable entitlement offer at \$0.05 per Share to raise up to \$3.33 million before Entitlement Offer Costs.

Last date for acceptance and payment: **5.00pm (AEDT) on Friday 11 October 2019**

If you are an Eligible Retail Shareholder, this is an important document that requires your immediate attention. It should be read in its entirety. If, after reading this document you have any questions about the securities being offered for issue under it or any other matter, you should contact your stockbroker, solicitor, accountant or other professional adviser.

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

IMPORTANT NOTICES

This Information Booklet is dated 27 September 2019. Capitalised terms in this section have the meaning given to them in this Information Booklet.

The Entitlement Offer is being made without a prospectus in accordance with section 708AA Corporations Act (as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84). This Information Booklet does not contain all of the information which a prospective investor may require to make an informed investment decision. The information in this Information Booklet does not constitute financial product advice and does not take into account your investment objectives, financial situation or particular needs.

This Information Booklet is important and should be read in its entirety before deciding to participate in the Entitlement Offer. This Information Booklet is not a prospectus under the Corporations Act and has not been lodged with ASIC.

The Company may make additional announcements after the date of this Information Booklet and throughout the period that the Retail Entitlement Offer is open that may be relevant to your consideration about whether you should participate in the Entitlement Offer.

No party other than the Company has authorised or caused the issue of this Information Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Information Booklet.

The Lead Manager/Underwriter has not authorised, permitted or caused the issue, lodgement, submission, dispatch or provision of this Information Booklet and do not make or purport to make any statement in this Information Booklet and there is no statement in this Information Booklet which is based on any statement by the Lead Manager/Underwriter. The Lead Manager/Underwriter and their affiliates, officers and employees, to the maximum extent permitted by law, expressly disclaim all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Information Booklet or any action taken by you on the basis of the information contained in this Information Booklet and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Information Booklet.

By returning an Entitlement and Acceptance Form or otherwise paying for your New Shares or Top Up Shares through BPAY in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have read this Information Booklet and you have acted in accordance with and agree to the terms of the Entitlement Offer detailed in this Information Booklet.

No overseas offering

This Information Booklet and the accompanying Entitlement and Acceptance Form do not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. In particular, this Information Booklet does not constitute an offer to Ineligible Shareholders and may not be distributed in the United States and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States.

This Information Booklet is not to be distributed in, and no offer of New Shares or Top Up Shares is to be made in countries other than Australia and New Zealand. The distribution of this Information Booklet in other jurisdictions may be restricted by law and therefore persons who come into possession of this Information Booklet 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 Entitlement Offer, the Entitlements or the New Shares, or otherwise permit the public offering of the New Shares, in any jurisdiction outside Australia or New Zealand.

The distribution of this Information Booklet (including an electronic copy) outside Australia or New Zealand, is restricted by law. If you come into possession of the information in this booklet, you should observe such restrictions and should seek your own advice on such restrictions. Any non-compliance with these restrictions may contravene applicable securities laws.

Foreign exchange control restrictions or restrictions on remitting funds from your country to Australia may apply. Your Application for New Shares is subject to all requisite authorities and clearances being obtained for the Company to lawfully receive your Application Monies.

New Zealand

The New Shares are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of New Shares is being made in reliance on the *Financial Markets Conduct Act 2013 (New Zealand)* and the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand)*.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision. The usual rules do not apply to offers made pursuant to the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (New Zealand)*. As a result, you may not be given all the information usually required.

This offer is not a regulated offer under New Zealand law, nor is this document a product disclosure statement under New Zealand law. This document has not been registered, filed with or approved by a New Zealand regulatory authority under the *Financial Markets Conduct Act 2013 (New Zealand)*.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Shares have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, registration under the U.S. Securities Act and applicable U.S. state securities laws. In addition, any hedging transactions involving these securities may not be conducted unless in compliance with the US Securities Act.

Definitions, currency and time

Defined terms used in this Information Booklet are contained in section 5. All references to currency are to Australian dollars and all references to time are to Australian Eastern Daylight Time (**AEDT**) time, unless otherwise indicated.

Taxation

There will be tax implications associated with participating in the Entitlement Offer and receiving New Shares. The Company considers that it is not appropriate to give advice regarding the tax consequences of subscribing for New Shares or dealing with Entitlements under this Information Booklet or the subsequent disposal of any New Shares. The Company recommends that you consult your professional tax adviser in connection with the Entitlement Offer. The Legal Adviser has not authorised, permitted or caused the issue of this Information Booklet.

Privacy

The Company collects information about each Applicant provided on an Entitlement and Acceptance Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's shareholding in the Company.

By submitting an Entitlement and Acceptance Form, you will be providing personal information to the Company (directly or through the Share Registry). The Company collects, holds and will use that information to assess your Application. The Company collects your personal information to process and administer your shareholding in the Company and to provide related services to you. The Company may disclose your personal information for purposes related to your shareholding in the Company, including to the Share Registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory bodies. You can obtain access to personal information that the Company holds about you, and correct and update such personal information. To make a request for access to or to correct or update your personal information held by (or on behalf of) the Company, please contact the Company through the Share Registry.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the Entitlement and Acceptance Form, the Company may not be able to accept or process your Application.

Governing law

This Information Booklet, the Entitlement Offer and the contracts formed on acceptance of the Applications are governed by the law applicable in Queensland, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of Queensland, Australia.

No representations

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer which is not contained in this Information Booklet. Any information or representation in connection with the Entitlement Offer

not contained in the Information Booklet may not be relied upon as having been authorised by the Company or any of its officers.

Past Performance

Investors should note that the Company's past performance, including past share price performance, cannot be relied upon as an indicator of (and provides no guidance as to) the Company's future performance including the Company's future financial position or share price performance.

Future performance

This Information Booklet contains certain forward-looking statements with respect to the financial condition, results of operations, projects and business of the Company and certain plans and objectives of the management of the Company. These forward-looking statements involve known and unknown risks, uncertainties and other factors which are subject to change without notice, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Forward-looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither the Company, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statement will actually occur. In particular, such forward-looking statements are subject to significant uncertainties and contingencies, many of which are outside the control of the Company. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this Information Booklet in light of those disclosures.

Trading New Shares

The Company and the Lead Manager/Underwriter will have no responsibility and disclaim all liability (to the maximum extent permitted by law) to persons who trade

New Shares they believe will be issued to them before they receive their holding statements, whether on the basis of confirmation of the allocation provided by the Company or the Share Registry or otherwise, or who otherwise trade or purport to trade New Shares in error or which they do not hold or are not entitled to.

If you are in doubt as to these matters, you should first consult with your financial or other professional advisor.

Risks

Refer to the 'Risk factors' section of the Investor Presentation included in section 2 of this Information Booklet for a summary of general and specific risk factors that may affect the Company.

United States disclaimer

None of the information in this booklet or the accompanying Entitlement and Acceptance Form constitutes an offer to sell, or the solicitation of an offer to buy, any securities in the United States. Neither this booklet (or any part of it), the accompanying ASX announcement nor the accompanying Entitlement and Acceptance Form may be released or distributed directly or indirectly, to persons in the United States.

The New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States or by persons (including nominees or custodians) who are acting for the account or benefit of a person in the United States, and the New Shares may not be offered, sold or resold in the United States or to, or for the account or benefit of, a person in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws of any state or other jurisdiction in the United States.

Chairman's letter

27 September 2019

Dear Shareholder

I am pleased to write to you, as a shareholder of Smiles Inclusive Limited (**Company**), and offer you the opportunity to participate in the Company's recently announced 1 for 1 accelerated non-renounceable entitlement issue of new ordinary shares in the Company (**New Shares**) at an issue price of \$0.05 (**Offer Price**) per New Share (**Entitlement Offer**).

Entitlement Offer

On 25 September 2019, the Company announced its intention to raise up to approximately \$3.33 million through the Entitlement Offer. The Entitlement Offer is fully underwritten.

The successful completion of the accelerated component of the Entitlement Offer (offered to eligible institutional, sophisticated and professional investors) (**Accelerated Entitlement Offer**) was announced on 27 September 2019.

This information booklet (**Information Booklet**) relates to the non-accelerated component of the Entitlement Offer (**Retail Entitlement Offer**).

The proceeds of the Entitlement Offer will be applied principally to repay temporary banking facilities, to retire debt associated with equipment purchases, for capital expenditure requirements, for working capital requirements and pay the costs of the offer. The equity being raised is considered to be sufficient, for the foreseeable future, to assist with the implementation of the Company's turnaround plan.

Under the Retail Entitlement Offer, Eligible Retail Shareholders have the opportunity to subscribe for New Shares at the price of \$0.05, which is the same subscription price as the Accelerated Entitlement Offer.

The number of new shares you are entitled to subscribe for under the Retail Entitlement Offer (**Entitlement**) is set out in your personalised Entitlement and Acceptance Form that is enclosed in this Information Booklet.

The Offer Price of \$0.05 per New Share represents a discount of:

- 16.7% to the last traded price of the Company's Shares on 23 September 2019;
- 12.5% to the previous 30 day volume weighted average price (**VWAP**) of the Company's Shares up to and including 23 September 2019.

If you take up your entitlement, you can also apply for additional shares under a 'top-up' facility (refer to section 3 of this Information Booklet for more information).

The Entitlement Offer is non-renounceable and therefore your entitlements will not be tradable on the ASX or otherwise transferable. I encourage you to consider this offer carefully.

Other Information

This Information Booklet contains important information, including:

- the investor presentation referred to above, which was released to the ASX on 25 September 2019, and provides information on the Company, the Entitlement Offer and key risks for you to consider;

- instructions on how to apply, detailing how to take up all or part of your Entitlements under the Retail Entitlement Offer (if you choose to do so), and a timetable of key dates; and
- a personalised Entitlement and Acceptance Form which details your Entitlement, to be completed in accordance with the instructions.

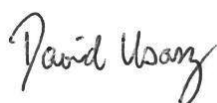
The Retail Entitlement Offer closes at 5pm AEDT on Friday 11 October 2019.

Please read in full the details on how to submit your application set out in this Information Booklet. For further information regarding the Retail Entitlement Offer, please call the Company on 1300 853 598 (if calling from within Australia) and +61 1300 853 598 (if calling from outside Australia) between 8:00am to 5:00pm (AEST time) Monday to Friday, or visit our website at <https://smilesinc.com.au> or the offer website at <https://events.miraqle.com/SIL-offer>.

You should also consult your stockbroker, solicitor, accountant or other professional adviser to evaluate whether or not to participate in the Retail Entitlement Offer.

On behalf of the Board of the Company, I encourage you to consider this investment opportunity and thank you for your ongoing support.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'David Usasz', with a stylized, cursive script.

David Usasz
Chairman
Smiles Inclusive Limited

Summary of Entitlement Offer

Entitlement Offer	
Ratio	1 Share for every 1 existing Shares
Offer Price	\$0.05 per New Share
Size	Up to 66,622,835 New Shares
Gross proceeds	Up to \$3,331,142

Key dates

Activity	Date (2019)
Trading halt and announcement of Entitlement Offer	Monday 23 September
Accelerated Entitlement Offer conducted	Wednesday, 25 September – Thursday, 26 September
Announcement of the completion of Accelerated Entitlement Offer and trading resumes on an ex-entitlement basis	Friday, 27 September
Record Date for Retail Entitlement Offer (7pm AEDT)	Friday, 27 September
Information Booklet and Entitlement & Acceptance Form despatched to Eligible Retail Shareholders	Wednesday, 2 October
Retail Entitlement Offer opens	Wednesday, 2 October
Settlement of Accelerated Entitlement Offer	Thursday, 3 October
Allotment and Quotation of New Shares under the Accelerated Entitlement Offer	Thursday, 3 October
Trading commences for the New Shares issued under the Accelerated Entitlement Offer (trading on a normal basis)	Friday, 4 October
Last date to extend the closing date for the Retail Entitlement Offer	Tuesday, 8 October
Closing date for acceptances under Retail Entitlement Offer (5pm AEDT)	Friday, 11 October
Announcement of results of Retail Entitlement Offer and notification of any shortfall	Wednesday, 16 October
Settlement of Retail Entitlement Offer	Thursday, 17 October
Allotment and issue of New Shares under the Retail Entitlement Offer	Thursday, 17 October
Quotation of New Shares issued under the Retail Entitlement Offer and trading commences trading on a normal basis	Friday, 18 October
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Tuesday, 22 October
Issue of shortfall to underwriters	On or before Friday 18 October 2019

Note: Australian Eastern Daylight Time (**AEDT**) is the time applicable in Sydney, New South Wales.

This Timetable is indicative only and subject to change. The Directors may vary these dates in conjunction with the Lead Manager/Underwriter, subject to the Listing Rules. Any variation or extension to the Timetable may delay the anticipated date for issue of the New Shares.

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

Enquiries

For any enquiries or if you have lost your Entitlement and Acceptance Form and would like a replacement form, please contact the Company on 1300 853 598 (if calling from within Australia) and +61 1300 853 598 (if calling from outside Australia) between 8:00am to 5:00pm (AEST time) Monday to Friday. Alternatively, contact your stockbroker, solicitor, accountant or other professional adviser.

Table of contents

Summary of Entitlement Offer	6
Key dates	6
Enquiries	7
1. Description and effect of the Entitlement Offer	10
1.1 Overview	10
1.2 Accelerated Entitlement Offer	10
1.3 Retail Entitlement Offer	10
1.4 Top Up Facility	11
1.5 Offer management and Underwriting	11
1.6 Shortfall Facility	12
1.7 Use of funds	13
1.8 Capital structure	13
1.9 Effect on the Company's financial position	13
1.10 Recent trading prices	14
1.11 Risks	14
1.12 No minimum subscription	14
1.13 Eligibility of Eligible Retail Shareholders	14
1.14 Ranking of New Shares	15
1.15 Allotment	15
1.16 Broker handling fee or stamp duty	15
1.17 Information Availability and Shareholder enquiries	15
2. Investor presentation	16
3. How to apply	17
3.1 Shareholder's choices	17
3.2 Taking up all of your Entitlement and participating in the Top Up Facility	17
3.3 Taking up part of your Entitlement and allowing the balance to lapse	18
3.4 Allow your Entitlement to lapse	18
3.5 Consequences of not accepting your Entitlement	19
3.6 Payment	19
3.7 Entitlement and Acceptance Form is binding	19
3.8 Brokerage and Stamp Duty	19
3.9 Notice to Nominees and Custodians	20
4. Additional information	21
4.1 Rights attaching to New Shares	21

4.2	Interests of Directors	21
4.3	ASX quotation	21
4.4	Allotment and Despatch of Shareholding Statements	21
4.5	CHESS	21
4.6	Taxation	21
4.7	Withdrawal of the Entitlement Offer	22
4.8	Enquiries	22
5.	Definitions -----	23
6.	Corporate information -----	26

1. Description and effect of the Entitlement Offer

1.1 Overview

The Entitlement Offer is an underwritten pro rata accelerated non-renounceable offer of up to 66,622,835 New Shares at \$0.05 per New Share to raise up to \$3,331,142 (before Entitlement Offer Costs).

The Entitlement Offer has two components:

- (a) the Accelerated Entitlement Offer – an initial offer to eligible institutional, professional and sophisticated Shareholders (**Eligible Accelerated Shareholders**); and
- (b) the Retail Entitlement Offer – an offer to remaining eligible professional and sophisticated or retail shareholders (who were not determined to be Eligible Accelerated Shareholders) (**Eligible Retail Shareholders**).

The Company, in consultation with the Lead Manager/Underwriter, reserves the right to determine whether a shareholder is an Eligible Accelerated Shareholder, Eligible Retail Shareholder or an Ineligible Shareholder.

1.2 Accelerated Entitlement Offer

The Company has already raised approximately \$640,000 from Eligible Accelerated Shareholders as part of the Accelerated Entitlement Offer.

The shares issued under the Accelerated Entitlement Offer were issued at the same price and at the same ratio as those being offered under the Retail Entitlement Offer.

The Company's ASX announcement of 27 September 2019, in relation to completion of the Accelerated Entitlement Offer, is set out in section 2.

1.3 Retail Entitlement Offer

The Retail Entitlement Offer constitutes an offer to Eligible Retail Shareholders only. The Retail Entitlement Offer will raise approximately \$2.69 million.

Eligible Retail Shareholders who are on the Company's share register on the Record Date are entitled to acquire 1 New Share for every 1 Shares held on the Record Date (**Entitlement**).

The Offer Price of \$0.05 per New Share represents a discount of

- 16.7% to the last traded price of the Company's Shares on 23 September 2019; and
- 12.5% to the previous 30 day VWAP of the Company's Shares up to and including 23 September 2019.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares.

The Entitlement Offer is non-renounceable. Accordingly, Entitlements do not trade on the ASX, nor can they be transferred or otherwise disposed of.

An Entitlement and Acceptance Form setting out your Entitlement accompanies this Information Booklet. Eligible Retail Shareholders may subscribe for all or part of their Entitlement.

Eligible Retail Shareholders who do not take up all of their Entitlements will have their percentage shareholding in the Company further diluted.

Eligible Retail Shareholders should be aware that an investment in the Company involves risks. The key risks identified by the Company are identified in the Investor Presentation set out in section 2.

1.4 Top Up Facility

Eligible Retail Shareholders may subscribe for all or part of their Entitlement.

Any New Shares not taken up by the Closing Date may be made available to those Eligible Retail Shareholders who took up their full Entitlement and applied for additional New Shares under the Top Up Facility in accordance with the procedure set out in section 3.2.

There is no guarantee that such Shareholders will receive the number of New Shares applied for under the Top Up Facility, or any. The number of New Shares available under the Top Up Facility will not exceed the shortfall from the Retail Entitlement Offer.

The Company, in consultation with the Lead Manager/Underwriter, shall determine an appropriate allotment and scaling policy (including allocations under the Top Up Facility) and the directors reserve the right to allot and issue New Shares under the Top Up Facility at their discretion.

Allocations will be made in such a way that the provisions of the Listing Rules and the Corporations Act, and in particular the takeovers prohibitions in Chapter 6 of the Corporations Act, are complied with.

1.5 Offer management and Underwriting

Morgans Corporate Limited ACN 010 539 607 has been appointed as underwriter and lead manager in respect of the Entitlement Offer.

The Underwriter has agreed to underwrite the Entitlement Offer on the terms set out in the Underwriting Agreement. Any New Shares that are not taken up by Shareholders under the Entitlement Offer will be issued to the Underwriter at the Offer Price on or before Friday 18 October 2019 in accordance with the terms of the Underwriting Agreement.

The Company has entered into an underwriting agreement (**Underwriting Agreement**) with the Underwriter. As is customary with these types of arrangements:

- (a) the Company has agreed, subject to certain carve-outs, to indemnify the Underwriter, their affiliates and related bodies corporate, and each of their directors, officers and employees against any losses they may suffer or incur in connection with the Entitlement Offer;
- (a) the Company and the Underwriter have given certain representations, warranties and undertakings in connection with (amongst other things) the Entitlement Offer;
- (b) the Underwriter may (in certain circumstances, having regard to the materiality of the relevant event) terminate the Underwriting Agreement and be released from their obligations under it on the occurrence of certain events, including (but not limited to):
 - (i) the Company is removed from the official list of ASX, its Shares are suspended from trading or quotation, or approval for quotation of the New Shares is not given by ASX;

- (ii) there are material disruptions in financial or economic conditions in key markets, or hostilities commence or escalate in certain key countries;
- (iii) there are certain delays in the timetable for the Entitlement Offer without the Underwriter's consent;
- (iv) any of the offer documents (including this Information Booklet and all ASX announcements made in connection with the Entitlement Offer) omits information required by the Corporations Act or is or becomes misleading or deceptive (including by omission) or likely to mislead or deceive; or
- (v) the Company indicates that it does not intend to proceed with all or part of the Entitlement Offer.

The Underwriter will be paid an underwriting fee of 6% (excluding GST) of the gross offer proceeds of the Entitlement Offer. The Underwriter will also be reimbursed for certain expenses.

The Underwriter has discretion under the Underwriting Agreement to appoint subunderwriters. In addition to taking up their Entitlement, directors David Usasz (\$97,000), Peter Evans (\$101,800) and Peter Fuller (\$200,000) and their related entities have each committed to partially subunderwrite the Entitlement Offer.

For information on the effect of the Entitlement Offer on the control of the Company, refer to the cleansing notice issued by the Company under section 708AA(2)(f) of the Corporations Act on 25 September 2019.

None of the Underwriter nor any of its related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents (collectively, the **Underwriter Parties**) have authorised or caused the issue of this Information Booklet and they do not take any responsibility for this Information Booklet or any action taken by you on the basis of the information in this Information Booklet. To the maximum extent permitted by law, the Underwriter Parties exclude and disclaim all liability for any expenses, losses, damages or costs incurred by you as a result of your participation in the Entitlement Offer and this Information Booklet being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise. None of the Underwriter Parties makes any recommendations as to whether you or your related parties should participate in the Entitlement Offer nor do they make any representations or warranties to you concerning this Entitlement Offer, or any such information and you represent, warrant and agree that you have not relied on any statements made by any of the Underwriter Parties in relation to the New Shares or the Entitlement Offer generally.

It is important to note that Underwriter will be acting for and providing services to the Company in this process and will not be acting for or providing services to Shareholders or any other investor. The engagement of the Underwriter by the Company is not intended to create any agency, fiduciary or other relationship between the Underwriter and the Shareholders or any other investor.

1.6 Shortfall Facility

A shortfall may arise if applications received for New Shares under the Entitlement Offer (including after the completion of the Top Up Facility (if any) and the Entitlements of Ineligible Shareholders) are less than the number of New Shares offered and the Underwriters or any sub-underwriters do not acquire that shortfall under the Underwriting Agreement (**Shortfall**).

The Company in its absolute discretion and in consultation with the Underwriters may determine an appropriate allotment and scaling policy with respect to any Shortfall.

The Directors reserve the right, subject to the requirements of the Listing Rules and the Corporations Act, to place Shortfall Shares within 3 months after the Closing Date to either existing or new Shareholders at their discretion. If issued, Shortfall Shares will be issued at a price not less than the Offer Price of New Shares under the Entitlement Offer. Shareholders will not receive any payment or value for the Entitlements not taken up under the Entitlement Offer that are subsequently taken up under the Shortfall Facility.

1.7 Use of funds

At the date of this Information Booklet, the Company intends to apply the funds raised from the Entitlement Offer (being a maximum of approximately \$3.33 million before Entitlement Offer Costs) towards:

- (a) repayment of temporary banking facilities ;
- (b) retiring debt associated with equipment purchases approved prior to 28 February 2019;
- (c) capital expenditure requirements;
- (d) working capital; and
- (e) funding the cost of the offer.

The equity being raised is considered to be sufficient, for the foreseeable future, to assist with the implementation of the Company's turnaround plan.

The above proposed use of funds is a statement of current intentions and the Directors reserve the right to vary the way funds are applied at any time.

1.8 Capital structure

Subject to rounding up of fractional Entitlements, the capital structure of the Company following the issue of New Shares is expected to be as follows:

Existing Shares on issue at the date of this Information Booklet	66,622,835
Maximum New Shares to be issued under the Entitlement Offer	66,622,835
Maximum total number of Shares after issue of New Shares under the Entitlement Offer	133,245,670
Maximum amount to be raised under the Entitlement Offer (before Entitlement Offer Costs)	\$3,331,142
Market capitalisation of the Company post completion of the Offer	\$6.66 million

1.9 Effect on the Company's financial position

The unaudited consolidated balance sheet of the Company as at 30 June 2019 and a pro-forma balance sheet assuming the total funds raised under the Entitlement Offer is \$3.33 million as at 30 June 2019 have been set out in the Investor Presentation lodged with the ASX on 25 September 2019 (and included in this Information Booklet in section 2).

1.10 Recent trading prices

The lowest and highest closing market sale prices of Shares on the ASX during the three months preceding the date of this Information Booklet were \$0.05 and \$0.135 respectively. The closing market price of the Company's Shares on 23 September 2019 (being the last trading day prior to the announcement of the Entitlement Offer) was \$0.06.

The Offer Price of \$0.05 represents a discount of approximately 16.7% to the last traded price of the Company's Shares on 23 September 2019 and a 12.5% discount to the previous 30 day VWAP of the Company's Shares up to and including 23 September 2019.

1.11 Risks

Any investment in New Shares carries certain risks. In addition to the general risks applicable to all investments in listed securities, the Company is subject to a number of specific risk factors which may affect or have an adverse impact on the Company.

A summary of such general and specific risk factors have been set out in the 'Key Risks' section of the Investor Presentation (and included in this Information Booklet in section 2). Shareholders should be aware that the risks identified in the Investor Presentation are not necessarily exhaustive of all risks relating to an investment in the Company or the Entitlement Offer and accordingly an investment in the Company should be considered speculative.

The Directors recommend that all Shareholders review these risk factors and consult their own stockbroker, solicitor, accountant or other professional adviser to evaluate the potential impact of such risks and whether or not to participate in the Retail Entitlement Offer.

1.12 No minimum subscription

There is no minimum subscription amount.

1.13 Eligibility of Eligible Retail Shareholders

The Retail Entitlement Offer is being offered to all Eligible Retail Shareholders.

Eligible Retail Shareholders are Shareholders on the Record Date who:

- (a) have a registered address in Australia or New Zealand or are a Shareholder that the Company has otherwise determined is eligible to participate;
- (b) are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States;
- (c) were not invited to participate in the Accelerated Entitlement Offer and were not treated as an Ineligible Shareholder under the Accelerated Entitlement Offer; and
- (d) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus to be lodged or registered.

The Retail Entitlement Offer is not being extended to the Ineligible Shareholders because of the small number of such Shareholders, the number and value of the Shares they hold and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand.

The Company, in consultation with the Underwriter/Lead Manager, reserves the right to determine whether a shareholder is an Eligible Retail Shareholder or an Ineligible Shareholder.

1.14 Ranking of New Shares

The New Shares issued under the Retail Entitlement Offer will be fully paid and rank equally with Existing Shares.

1.15 Allotment

The Company will make an application for quotation of the New Shares on ASX in accordance with the timetable. Trading of New Shares will, subject to ASX approval, occur shortly after allotment. It is expected that quotation of the New Shares under the Retail Entitlement Offer will take place no more than six Business Days after the close of the Retail Entitlement Offer.

Application Monies will be held by the Company on trust for Applicants until the New Shares are allotted. No interest will be paid on Application Monies.

It is the responsibility of Applicants to determine the number of New Shares allotted and issued to them prior to trading in the New Shares. The sale by an Applicant of New Shares prior to receiving their holding statement is at the Applicant's own risk.

1.16 Broker handling fee or stamp duty

No brokerage or stamp duty will be payable by Applicants.

1.17 Information Availability and Shareholder enquiries

Eligible Retail Shareholders can obtain a copy of this Information Booklet from the Company website at <https://events.miraqle.com/SIL-offer> or by calling the Company on 1300 853 598 (if calling from within Australia) and +61 1300 853 598 (if calling from outside Australia) between 9:00am to 6:00pm (AEDT time) Monday to Friday during the Entitlement Offer period.

Persons who access the electronic version of this Information Booklet should ensure that they download and read the entire Information Booklet. The electronic version of this Information Booklet will not include an Entitlement and Acceptance Form. A replacement Entitlement and Acceptance Form can be requested by calling the Company on 1300 853 598 (if calling from within Australia) and +61 1300 853 598 (if calling from outside Australia).

2. Investor presentation



**totally
smiles®**
Together we smile.

Smiles Inclusive Limited 1 for 1 Rights Issue

September 2019



Important Notices and Disclaimer

This investor presentation ("Presentation") has been prepared by Smiles Inclusive Limited (ACN 621 105 824) ("Smiles" or "Company"). This Presentation has been prepared in connection with the fully underwritten accelerated non-renounceable pro-rata entitlement offer ("Offer") of new Smiles ordinary shares ("New Shares"). The Offer is being conducted under section 708AA of the Corporations Act 2001 (Cth) ("Corporations Act") as modified by ASIC Corporations (Non-Traditional Rights Issues) Instrument 2016/84.

Summary information

This Presentation contains summary information about the current activities of Smiles and its subsidiaries ("Smiles Group") as at the date of this Presentation. The information in this Presentation is of a general nature and does not purport to be complete. This Presentation does not purport to contain all the information that an investor should consider when making an investment decision nor does it contain all the information which would be required in a disclosure document or prospectus prepared in accordance with the requirements of the Corporations Act. It should be read in conjunction with Smiles other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au. To the maximum extent permitted by law, Smiles, the Underwriters (defined below), and their respective affiliates and related bodies corporates, officers, employees, partners, agents and advisers make no representation or warranty (express or implied) as to the currency, accuracy, reliability or completeness of the information in this Presentation and disclaim all responsibility and liability for the information (including without limitation, liability for negligence).

Not an offer

This Presentation is for information purposes only and is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission ("ASIC")). The Presentation is not and should not be considered an offer or an invitation to acquire entitlements or New Shares or any other financial products. The Offer will be made on the basis of the information to be contained in the offer booklet to be prepared for eligible shareholders in Australia and New Zealand ("Offer Booklet") and made available following its lodgment with ASX. Any eligible shareholder in Australia and New Zealand who wishes to participate in the Entitlement Offer should consider the Offer Booklet before deciding whether to participate in the Offer. Anyone who wishes to apply for New Shares under the Entitlement Offer will need to apply in accordance with the instructions contained in the Offer Booklet and the accompanying entitlement and acceptance form. This Presentation may not be released or distributed in the United States. This Presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or in any other jurisdiction in which such an offer would be illegal. The entitlement and New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, in the United States, unless they have been registered under the U.S. Securities Act (which Smiles has no obligation to do or procure), or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable state securities laws.

The distribution of this Presentation in other jurisdictions outside Australia may also be restricted by law and any such restrictions may constitute a violation of applicable securities laws (see "International Offer Restrictions"). By accepting this Presentation you represent and warrant that you are entitled to receive such presentation in accordance with the above restrictions and agree to be bound by the limitations contained herein.

Not financial product advice

This Presentation does not constitute financial product or investment advice (nor tax, accounting or legal advice) nor is it a recommendation to acquire entitlements or New Shares and does not and will not form any part of any contract for the acquisition of entitlements or New Shares. This Presentation has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek appropriate advice, including financial, legal and taxation advice appropriate to their jurisdiction. Smiles is not licensed to provide financial product advice in respect of Smiles shares. Cooling off rights do not apply to the acquisition of New Shares.

Financial data

All dollar values are in Australian dollars ("A\$") and references to financial year (FY) relate to Smiles' year end which is 30 June. The unaudited pro forma balance sheet of the company for FY2019 has been included in this Presentation.

Past Performance

Past performance information given in this Presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

Future performance

This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "propose", "plan", "predict", "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, indications of, or guidance or outlook on, future earnings or financial position or performance of Smiles the outcome and effects of the Offer and the use of proceeds. The forward looking statements contained in this Presentation are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Smiles, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. Refer to the risks section of this Presentation for a summary of certain general and Smiles specific risk factors that may affect Smiles.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in this Presentation. Investors should consider the forward looking statements contained in this Presentation in light of those disclosures and not place reliance on such statements. The forward looking statements are based on information available to Smiles as at the date of this Presentation. To the maximum extent permitted by law, Smiles 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.

Except as required by law or regulation (including the ASX Listing Rules), Smiles undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this Presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Presentation.

Investment risk

An investment in Smiles shares is subject to investment and other known and unknown risks, some of which are beyond the control of Smiles including possible loss of income and principal invested. Smiles does not guarantee any particular rate of return or the performance of Smiles, nor does it guarantee the repayment of capital from Smiles or any particular tax treatment. In considering an investment in Smiles shares, investors should have regard to (amongst other things) the risks outlined in this Presentation.

Underwriters
Morgans Corporate Limited (AFSL 23541)



totally
smiles
DENTAL GROUP

CONTENTS

1. Overview
2. Our Business and The Opportunity
3. The Turnaround Plan
4. Details of Entitlement Offer
5. Financial Results
6. Key Risks



1. Overview



1. OVERVIEW

Smiles is raising \$3.33 million through an accelerated non-renounceable entitlement offer to effect its turnaround plan and to realise the original vision for the business in a sustainable way

Transaction overview

Smiles will use the funds to reduce debt, stabilise cashflows and operations and fully implement the turnaround plan that has been adopted by the Board. It is envisaged that through the execution of the turnaround plan, the business will develop a stable, considered cost structure capable of delivering a sustainable return to profit.

The Smiles vision

Smiles has a vision which sets a clear path for the business to deliver shareholder value over time. It requires the Establishment and Implementation of standardised systems and operational processes, effective and complete Integration of the acquired practices into the business, Realising the benefits of Scale including increased efficiencies, purchasing power and enhanced patient management and experience, Increasing Practice Revenues by improving marketing capability, upskilling providers, improving chair utilisation and reviewing prices.

The turnaround plan is underway

The turnaround plan adopted by the Board in May 2019 consists of defined actions to improve revenues, reduce costs and undertake limited targeted investment. Implementation is the key focus of the new management team that are responsible for its development and execution. The plan is a significant step change from the former strategy and requires a new skill set and focus to be achieved. The key elements of the turnaround plan are focused around:

Revenue improvement	Cost Reduction	Targeted Investment	Proactive engagement with JVPs and Practice Lead Group
Revenue for the period June to August was 7% higher than the same period for 2018, despite a soft August.	Support office wage costs reduced by 14 staff with full benefit flowing through at end of Q1 FY20.	Systems and process improvement in capability. Minimal capital invested.	Clinical and Commercial Advisory Group structures.

1. OVERVIEW

After a disappointing start, Smiles is acting on a clear plan to realise the original vision for the business in a sustainable way

Recognise past mistakes

Turnaround was necessary due to:

- Poor past Board and Executive leadership and decision making.
- Past failure to effectively integrate the acquisition practices.
- Past failure to efficiently invest in the systems, process and capability required for efficiency and sustainably.
- Past failure to capitalise on scale such as increased purchasing power and resource and knowledge sharing.
- Adverse impact of unforeseen events – mobile business closure and practitioner death.
- Unsatisfactory operational and financial performance resulted in the need to reduce staffing which in turn adversely impacts on the speed of turnaround implementation.

Stabilise Operations

Stabilisation will occur through:

- **Reconstituted board and new leadership team** - the current board will be extended in the coming months. The new leadership team and staff are focused on executing the turnaround plan.
- **Revenue initiatives** - practitioner upskilling, increased practitioner and chair utilisation, practitioner availability, and teeth whitening.
- **Cost initiatives** - more focused, efficient and effective support office; removal of cost duplication; elimination of uncommercial agreements and contracts.
- **Investment initiatives** - necessary, targeted, limited practice fit out and upgrades, equipment upgrades, compliance upgrade and maintenance.
- **Engagement initiatives** - normalisation of cooperative business planning, analysis and performance management activities with JVPs and Practice Leaders.

Establish a platform for sustainable growth

- The focus of the business is on the creation of a sustainable platform to enable continued organic growth and return to acquisition growth when appropriate.
- The business needs several systems processes and controls with the immediate priorities being:
 - Revised marketing strategy and capability.
 - Revision and re-establishment of the Practice Management role in the business.
 - Confirm agreed and accepted minimum clinical standards.
 - Improve individual practice operations management and associated performance management systems.
 - Increased automation of some back office purchasing, processing, information management, analytical and reporting systems.
 - Implementation of improved internal practice engagement and communication, strategies to facilitate timely and efficient problem solving, opportunity identification and promote integrated teamwork.

Fully underwritten equity raising

- The turnaround strategy will be funded by a pro-rata accelerated non-renounceable entitlement offer to raise \$3.33 million.
- This entitlement offer is to be fully underwritten by Morgans.

2. Our Business and The Opportunity

Slide 7



2. OUR BUSINESS

Smiles currently owns 56 dental practices operating from 82 sites throughout Australia, acquired between April 2018 and December 2018

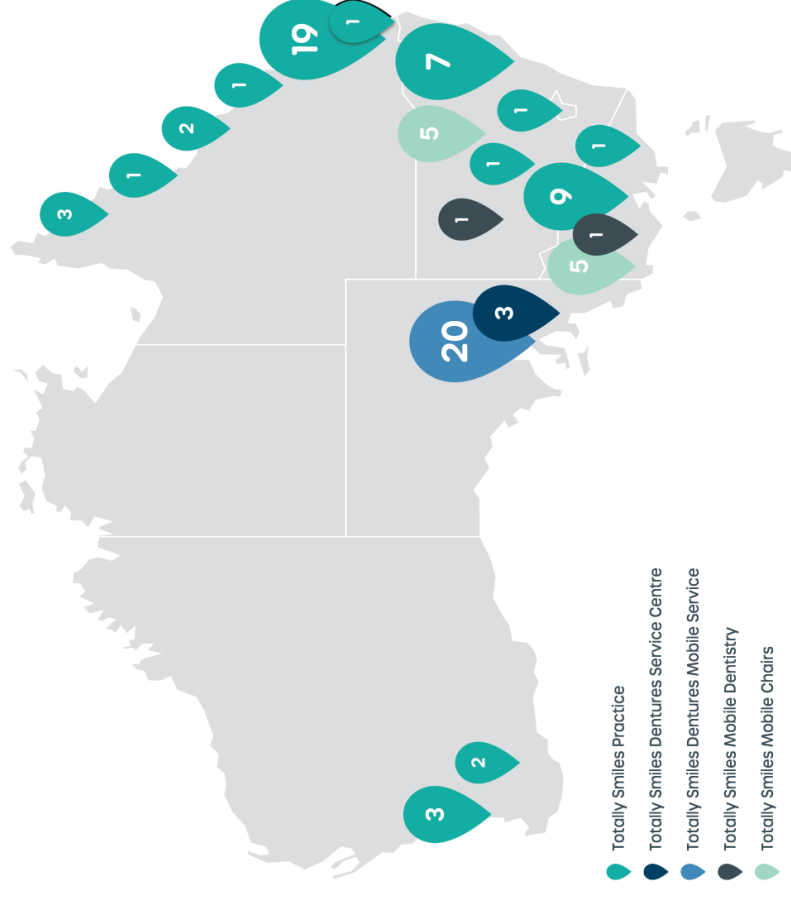
Operations are categorised as follows:

- **Fixed Location Practices:** 19 general dentistry practices, 23 special interest practices, seven specialist practices operating in all Australian states and territories except Tasmania and the Northern Territory.
- **Mobile Business:** operating in New South Wales and Victoria with a current focus on primary schools.
- **Dentures Business:** operating predominately in South Australia but also country New South Wales and Victoria with 3 primary and 19 visited clinics.
- **Our business currently engages 409 personnel:** including 98 FASA remunerated clinicians.

The business operates via combination of Joint Venture Partner Program although there are currently also 100% owned practices.

Notable features of the Smiles business model:

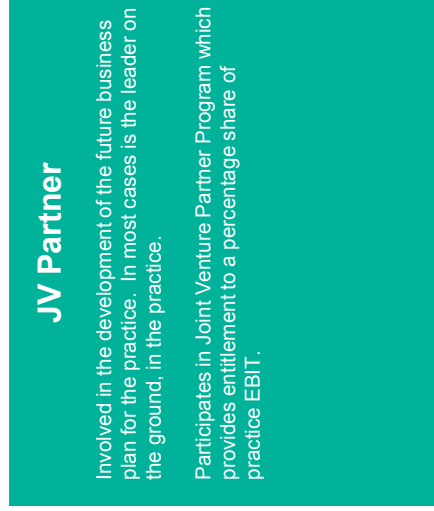
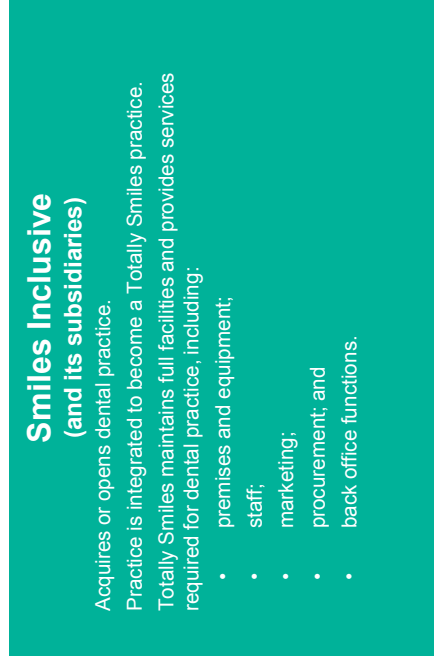
- **Ownership:** Totally Smiles Pty Ltd (the operating subsidiary of SLL) owns the dental practices.
- **Joint Venture Partner (JVP) Program:** a JVP (typically the original vendor of the practice or its nominee) acquires an entitlement under the JVP Program to share in the ongoing EBIT of the relevant practice.
- **Dental services:** contracted and employee dentists, hygienists and occupational health therapists provide dental services to members of the public.
- **Facilities and services:** the business provides dental practices, support staff, consumables, marketing and administrative services, to contracted dentists under the terms of the FASA. In return the business retains a service fee, generally calculated as a percentage of money banked from dental services performed.



2. OUR BUSINESS MODEL

The Board and Executive Management continue to believe in the appropriateness and value of the model. It was the absence of a specific and effective implementation strategy by former management which has led to the current position for the business.

The current structure for the business is shown diagrammatically below.



2. THE OPPORTUNITY REMAINS

The Smile Board believes the original vision is still achievable with improved execution

JVPs though disappointed with the implementation to date, are generally still positive about the model, committed to the model and encouraged by the turnaround plan adopted in May 2019. The business has a substantial number of general dentists keen to upskill, many under-utilised chairs, and +200,000 past patients that have not been seen in over eighteen months. Notwithstanding past issues, the way forward is to consolidate a back to basics service model of being a capable, low-cost provider of consistent high-quality services.

Management are focused on finalising Phase One of the turnaround plan in Q2 FY20, with completion of the following:

- **Full deployment of the Contact Centre (CC) to reactivate the large numbers of past patients not currently active, conversion of high value marketing leads and to provide patient contact and reception services to practices.** While establishment has been more difficult than anticipated, it is progressing satisfactorily.
- **Market appreciation:** Industry and market engagement is critical for a sustainable competitive advantage and requires engagement with and understanding of the objectives and strategies of industry participants including patients, governments, health funds, industry organizations, suppliers and competitors. This will enable us, to properly determine and establish our brand identity.
- **Redesign of the marketing strategy:** Incorporating brand development, targeted, multi-channel national campaign capability development together with bespoke, local practice strategies and campaigns.
- **Positive engagement with JVPs to foster a collaborative culture:** Engagement of all stakeholders in the goals of the business is essential. Correction of the past failure to instill basics such as practice business plans, with agreed improvement actions and associated implementation plans with each JVP/Practice leader using their knowledge, experience and skills.
- **Revised business plan for the Mobile business:** Restructuring based on developing a holistic approach to oral health care promotion, education and service delivery for schools, retirement homes, aged care facilities, in-home care, remote and indigenous communities and large employer corporate businesses and commercial precincts.
- **Revised business plan for the Dentures business:** Considering the marginal contribution and effectiveness of each location of operation and optimizing these to maximize profits, while at the same time considering the best use of clinic locations and the internal and external lab facilities.
- **Establishment of the Clinical and Commercial Advisory Group (CACAG) and associated committees:** The Clinical Committee will be supported by a dentist and Clinical Coordinator.
- **Resetting the support office and practice front office:** To develop a sustainable model of effective, automated systems and processes, and people providing timely, direct, accountable service. The continuous engagement, training and development of the Practice Managers is a cornerstone initiative for sustainable success.
- **Establishment of minimum clinical standards and the development and operation of programs for the education and development of clinicians:** The business has established a relationship with a leading dental implant training and support organisation and currently have 30 practitioners we have approached interested to undertake the training.



3. The Turnaround Plan



3. TURNAROUND PLAN SUMMARY

The turnaround plan adopted by the board in May 2019 consists of defined actions to improve revenues, reduce costs and undertake limited targeted investment. Implementation is the key focus of the new management team that are responsible for its development and execution.

The plan is a significant step change from the former strategy and requires a new skill set and focus to be achieved.

Revenue Improvement	Cost Reduction	Targeted Investment
<ul style="list-style-type: none"> Implementation of revised marketing strategies for all practices with appropriate, focused local area marketing. Reduction of whitespace and increase in revenue through reactivation of past patients, new patient acquisition and cross utilisation of skills between some practices resulting in improvement in: <ul style="list-style-type: none"> under-utilised provider availability increased current provider availability under-utilised chairs Re-establishment of the mobile business. Re-structure of the Denture business. Practitioner upskill and higher value work. Some 30 JVPs and practitioners have expressed interest in our first upskilling initiative, with training commencing next month. 	<ul style="list-style-type: none"> Reduction in support office staffing, improved computerisation and communication. Review of all current supply agreements. Appointment of a procurement manager to realise purchasing power benefits. 	<ul style="list-style-type: none"> Previously committed fit out for a practice move to new premises. Targeted practice renovation, including signage. Necessary, but limited capital expenditure.

Proactive Engagement with JVPs and Practice Lead Group

- To date some JVPs and practice leads were not appropriately committed and engaged.
- Involves a reset of the relationship, based on transparency, collaboration and teamwork that is essential to the turnaround plan success.

3. TURNAROUND PLAN OUTCOMES

The turnaround plan focuses on increasing earnings utilising the existing assets, re-establishing the Smiles balance sheet by generating cash and creating a sustainable, scalable platform for growth

Utilisation of the Existing Assets

Past strategies did not recognise the importance of the small business nature of our model

- The turnaround plan acknowledges the importance of brand development, brand awareness, and digital marketing expertise and embraces the demographics and competitive environment of each business with dedicated local area based marketing, upskilling, internal referrals and service mix enhancement.

Improved Cash Control

The turnaround plan is based on effective cash flow control to underpin the required investment within the practices

- Detailed business plans of each practice, engaging the JVPs, with an emphasis on operations ensuring fixed cost recovery, while investment expenditure is tied to specific revenue generation initiatives.

Sustainable Business Model

The turnaround plan represents a back to basics approach

- Much of the remediation required within the business is focused on the basic, solid principals of good business – concentrated effort on planning, engagement, performance analytics, realistic revenue streams, upskilling of clinicians, and rigor in cost control and efficiency.

Highlights to date

- Cost savings associated with support office staff reductions. This has also necessarily lead to smaller focused teams, but delayed implementation.
- Focus on unprofitable businesses involved contact centre priority, staff training and other improvement strategies.
- Establishment of the Contact Centre and associated telecommunications capability to enable direct bookings.
- Review of the marketing strategy and identification of required strategic capabilities, performance management requirements and suitable service providers.
- Development of daily practice performance management strategies that requires practice accountability – implementation imminent.
- Development of practice staff training requirements, resources and delivery.
- Identification of the strategic focus required to improve the quality and sustainability of future revenue .
- Review of the Mobile business and strategic opportunities, associated relationship development and appointment of a General Manager.
- Review of the Dentures business and development of strategies to consolidate, computerise and improve efficiencies and profitability.

3. OUR EXECUTIVE MANAGEMENT TEAM

A key feature of the turnaround plan has been the reconstitution of the executive management team, who are solely focused on its success



Tony McCormack – Chief Executive Officer

- Previously Chief Operating Officer of ASX listed Australian Agricultural Company from April 2016 – April 2018 and has held a range of senior executive positions including Chief Operating Officer of Stanbroke Pty Ltd.
- Prior to his CEO appointment in February 2019, he consulted into the business from November 2018.
- Experienced senior executive with an extensive track record in general management, operations, business planning, systems development and change management.



Emma Corcoran – Chief Financial Officer

- Emma is an accomplished Chartered Accountant with over 23 years' experience in corporate finance, transaction services and commercial advisory.
- A former practice partner she has worked with a number of clients, private, listed and government, across a range of industries to review their commercial arrangements, agreements, systems and processes and structures to improve their financial and operating performance.
- Similarly, she has worked with a number of clients in the areas of M&A and the associated transaction services including due diligence and valuation.



Merryn Hawke – General Manager Operations

- Merryn has 22 years' experience in business management and sales and marketing in Australian and international healthcare markets.
- Merryn joined TSDG in September 2018 as a Business Development Manager supporting 13 practices in Queensland, implementing efficiencies through developing staff and use of business analytics.
- Merryn has demonstrated experience in strategic account development, diversification and new business acquisition and development.

The support office team, consisting largely of finance, HR, operations and contact centre have leaders with appropriate experience of the business and the issues that need to be addressed and are committed to working together to operate the business and implement the turnaround plan.

A cornerstone of the turnaround strategy is the ongoing engagement of the practice JVPs and their staff to utilise their experience and expertise and commitment in daily activity, develop strategy and solve problems, ensuring success.





4. Details of the Entitlement Offer

4. DETAILS OF THE ENTITLEMENT OFFER

Offer structure and size	<ul style="list-style-type: none"> 1 for 1 pro-rata accelerated non-renounceable entitlement offer to eligible shareholders of Smiles to raise total proceeds of \$3.33 million
Underwriting arrangements	<ul style="list-style-type: none"> The Entitlement Offer will be fully underwritten by Morgans Corporate Limited
Pricing	<ul style="list-style-type: none"> \$0.05 per New Share representing: <ul style="list-style-type: none"> 9.1% discount to TERP of \$0.055 16.7% discount to last close of \$0.06 on Monday, 23 September 12.5% discount to 1 month VWAP of \$0.057
Capital Structure	<ul style="list-style-type: none"> Current issued shares 66,622,835 Entitlement Offer Shares 66,622,835 Post Entitlement Offer Shares 133,245,670
Accelerated and retail components	<ul style="list-style-type: none"> The Accelerated Entitlement Offer is proposed to be conducted on Wednesday, 25 September 2019 to Thursday, 26 September 2019 Entitlements not accelerated will form the Retail Entitlement Offer which is proposed to open on Wednesday, 2 October 2019 and will close on Friday, 11 October 2019
Participation by Directors and major shareholders	<ul style="list-style-type: none"> Each of the Smiles directors have committed to take up their rights as part of the Accelerated Entitlement Offer. Directors have also committed to general sub-underwriting of the Retail Entitlement Offer (this is summarised below) A number of major shareholders have committed to take up their rights as part of the Accelerated Entitlement Offer
Ranking	<ul style="list-style-type: none"> New Shares issued will rank equally in all respects with existing Smiles shares on issue
Record date	<ul style="list-style-type: none"> Friday, 27 September 2019

The Theoretical Ex-Rights Price (TERP) is the theoretical price at which Smiles shares should trade immediately after the ex-date for the Entitlement Offer. The TERP is a theoretical calculation only and the actual price at which Smiles shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equal the TERP. TERP is calculated by reference to Smiles' closing price of \$0.06 on Monday, 23 September 2019.

Directors intend to take up their entitlements and will also undertake some additional general sub underwriting in support of the offer.

4. SOURCE AND USE OF FUNDS

SOURCE OF FUNDS	
Net Proceeds of Rights Issue	\$3.33 million
Total	\$3.33 million
USE OF FUNDS	
Repayment of Temporary Banking Facilities ¹	\$0.675 million
Retiring Debt associated with equipment purchases ² approved prior to 28 February 2019	\$0.89 million
CAPEX Requirement ³	\$0.75 million
Working Capital	\$0.77 million
Cost of the Offer	\$0.25 million
Total	\$3.33 million

1. The bank repayment is with respect to a temporary facility.
2. Including IT Equipment of \$290,000 and Dental Equipment of approximately \$350,000.
3. Committed practice fit out, practice renovation and upgrade and branding expenses.



4. TIMETABLE

ACTIVITY	DATE
Trading halt announced	Monday, 23 September
Accelerated Entitlement Offer conducted	Wednesday, 25 September – Thursday, 26 September
Announcement of the completion of the Accelerated Entitlement Offer and trading resumes on an ex-entitlement basis	Friday, 27 September
Record date for Retail Entitlement Offer	Friday, 27 September
Information Booklet and Entitlement and Acceptance Forms despatched to Eligible Retail Shareholders	Wednesday, 2 October
Retail Entitlement Offer opens	Wednesday, 2 October
Settlement of Accelerated Entitlement Offer	Thursday, 3 October
Allotment and Quotation of New Shares under the Accelerated Entitlement Offer	Friday, 4 October
Last day to extend the date for the Retail Entitlement Offer	Tuesday, 8 October
Closing date for acceptances under the Retail Entitlement Offer (5pm AEDT)	Friday, 11 October
Announcement of the results of the Retail Entitlement Offer and notification of any shortfall	Wednesday, 16 October
Settlement of the Retail Entitlement Offer	Thursday, 17 October
Quotation of New Shares under the Retail Entitlement Offer	Monday, 21 October
Despatch of holding statements for New Shares issued under the Retail Entitlement Offer	Tuesday, 22 October

This timetable is indicative only and subject to change. The Directors may vary these dates, in consultation with the Underwriter, subject to the Listing Rules. An extension of the Closing Date will delay the anticipated date for issue of the New Shares. The Directors also reserve the right not to proceed with the whole or part of the Entitlement Offer any time prior to issue of the New Shares. In that event, the relevant Application Monies (without interest) will be returned in full to applicants.



5. Financial Results



5. FY 2019 FINANCIAL PERFORMANCE

The first 12 months of operations for Smiles Inclusive has been dominated by poor financial performance, the protracted attempt to regain control of the company by the former CEO and Chairman and the public disruption efforts by a few opportunistic individuals. The actions of these individuals continue to be addressed by the Board and Management, with the support of the majority of the JVP group.

The preliminary financial report, released to the market on 30 August 2019, declared an underlying loss after tax of **\$4,497 million**.

Reconciliation from Statutory to Underlying Financial Results	30 Jun 19	30 Jun 18	Movement up/(down)	
	\$'000	\$'000	\$'000	%
Statutory loss after tax	(18,878)	(4,955)	(13,923)	(281.0)%
Integration costs	549	307	242	78.8%
Business acquisition costs: once-off costs	391	2,648	(2,257)	(85.2)%
Impairment of assets	13,700	-	13,700	N/A
Income tax effect of adjustments	(259)	(813)	554	68.2%
Underlying loss after tax	(4,497)	(2,813)	(1,684)	(59.9)%

The poor underlying financial result was driven by the following factors:

Revenue Losses

- The necessary temporary closure of the Smiles on Site mobile business and the unfortunate passing of the specialist JVP in Woollahra within Q1 of listing
- Underperformance of many practices compared to their pre-acquisition revenue levels.
- Breakdown of relationships with some Joint Venture Partners (JVP's), which has led to a low level of engagement.

Cost Overruns

- Poor execution of an unrealistic implementation strategy for the Smiles business establishment, practice integration and future business planning with JVPs/Practice Leaders.
- Failure to develop appropriate business systems processes and people to deliver the business model.
- Litigation issues which have and continue to distract management from the operations of the business and result in significant legal costs.

The Company's result for FY19 remain unaudited. The audit process could result in a materially adverse adjustment of these results, including an impairment of the value of the practices (which would be a non-cash adjustment on the balance sheet). The Company has not received any indications as to whether or not its audited accounts may be subject to a modified opinion, emphasis of matter, or other matter.



5. FY 2019 FINANCIAL PERFORMANCE

The results presented to the market on 30 August 2019, were unaudited.

At 25 September 2019 our auditor, KPMG, has advised that we need further impairment. Accordingly there is the risk that the final audited results may differ from those disclosed to date.

The risks are concerned with the following balances:

Risk Areas Impacting the Appendix 4E reported underlying result of (\$4.479M)

Adjustments to date since the issue of our Appendix 4E total (\$140,000). In addition, the auditors have not completed their work on Debtors at this time. There is a possibility that our provision for doubtful debts may increase up to \$200,000, resulting in an underlying result of (\$4.819M).

Risk Areas Impacting the Appendix 4E reported statutory result of (\$18.878M)

Asset Impairment Under Australian accounting standards, SIL is required to test the carrying value of its assets to ensure they are not carried at more than their recoverable amount. This assessment is required to be done at least annually and is completed with reference to the expected future cashflows of this business.

Given the poor performance of the business for FY19, the assessment has resulted in an impairment of the Goodwill, Bartercard and Fixed Assets of the Company, that was estimated at 30 August 2019 to have a likely net impact of (\$13.7 Million) on the Net Asset position of the Company.

Discussions with our auditors, KPMG, continue and as at 25 September 2019 the **value of this impact is expected to increase by \$11.1 Million** with the following impacts:

Goodwill: The goodwill impairment discussions with our auditor, KPMG, is ongoing. Australian accounting standards require that the balance be tested annually with reference to each of the 56 practices of the business, and their current financial performance. At the time of writing the expected impact of an adjustment to these amounts is an increase of approximately \$14 Million to the impairment of Goodwill.

JVP Liability: The JVP Liability balance is required to be revalued each year, with similar reference to the current financial performance of each practice. If additional impairment to goodwill is \$14 Million, then we expect a further reduction of JVP liability of up to \$5.6 Million.

At 30 August 2019, the net impact of goodwill impairment and JVP liability reduction was disclosed as \$13.7 million. The above identified risks, associated with the audit completion could see this adjustment increase by \$12.7 Million to \$26.4 Million.

Fixed Assets: The assessment of the 56 practices of the business has resulted in the fixed assets of some practices to be impaired, in addition to their Goodwill. As at 25 September 2019, an additional adjustment of approximately (\$2.5 Million) is expected. We note that this adjustment, unlike that for Goodwill, may be reversed in future periods as the performance of the business improves.

Bartercard: The Company's Bartercard Asset, has also been considered in light of Impairment. The carrying value of this amount, is likely to result in a further reduction in approximately \$200,000 in the carrying value of the asset.

5. CURRENT FINANCIAL POSITION

	30-Jun-18 \$'000	Unaudited 30-Jun-19 \$'000	Impact of Rights Issue \$'000	Pro-forma Post Rights Issue \$'000
Assets				
Cash and cash equivalents	2,009	1,595	765	2,360
Receivables	2,813	3,491		3,491
Inventories	-	558		558
Deferred tax assets	2,631	4,393		4,393
Property, plant & equipment	3,681	10,596	750	11,346
Intangible assets	62,208	49,272		49,272
Total Assets	73,342	69,905		71,420
Liabilities				
Payables	5,186	6,944	(890)	6,054
Deferred revenue	564	570		570
Provisions	2,087	2,405		2,405
Interest bearing liabilities	10,940	23,413	(675)	22,738
Joint Venture Partner Contribution	21,435	21,109		21,109
Total Liabilities	40,212	54,441		52,876
Net Assets	33,130	15,464		18,544
Contributed equity	38,085	39,297	3,080	42,377
Retained earnings	(4,955)	(23,833)		(23,833)
Total Equity	33,130	15,464		18,544

The Company's result for FY19 remain unaudited. The audit process could result in a materially adverse adjustment of these results, including an impairment of the value of the practices (which would be a non-cash adjustment on the balance sheet). The Company has not received any indications as to whether or not its audited accounts may be subject to a modified opinion, emphasis of matter, or other matter.

- Property Plant and Equipment:** This balance comprises practice dental, IT and office equipment and fit-outs, the mobile business trailers and motor vehicles. The movement is predominately attributable to the capitalization of leased assets.
- Goodwill:** Goodwill was taken up as the difference between the purchase price of the practices and the net tangible assets acquired. At balance date, its carrying value was compared, on a practice by practice basis, to the likely future cashflows of the practice and to the market capitalization of the company, in accordance with current accounting standards.
- While management believe practice performance is recoverable, assessment of the balance was required as at 30 June 2019. Consequently, the overall poor financial performance in FY19, together with the higher than expected costs involved in establishing the business to date, required impairment of the balance of goodwill as at 30 June 2019.
- Joint Venture Partner Contribution:** The JVP program is an investment in the ongoing financial performance (EBIT) of a practice. Although divisible and transferable, it does not represent a share in the ownership of the underlying practice. Future sales of a JVP interest may or may not be more or less than the amount invested by the JVP, depending on the performance of the practice.
- Similar to goodwill, this balance is required to be revalued each financial year, using the likely future discounted cashflows of the practices. The carrying amount, is affected by the poor financial performance of the practices in FY19.
- In the release of the preliminary financial result, the net impact on the revaluation of the goodwill and JVP Contribution balances, has been quantified at \$13.7 million, however this amount is subject to audit.
- Interest Bearing Liabilities:** Included in this balance is approximately \$19 million owing to the business' primary banker NAB. Subject to servicing exiting commitments, the next review date is the end of November 2019.

5. TURNAROUND OF THE FINANCIAL PERFORMANCE

The Smiles Board, management team and JVP group remain committed to the original model and vision for the business.

The past failures of the business are readily identifiable, and the first phase of the turnaround is focused on the following discrete activities:

Revenue Improvement

- Increase in sales and marketing of services – improved patient and potential patient awareness through targeted product marketing, revenue improvement through upsell to higher margin work.
- Increased inter practice referrals.
- Increased third party patient finance availability.
- Increased Practitioner utilisation and availability and increased chair utilisation.

Revenue Enhancement

- Increased internal referrals and cross utilisation of practitioners between some practices.
- Upskilling of Practitioners – MoreDent implant training and development in the use of digital positioning of surgical guides & digital guided surgery provided with ongoing planning, technical support and assisted development of marketing patient benefit strategies. Also the development of focussed teeth alignment preferences and associated sales and marketing strategies.

Cost Reduction, Control and Efficiency

- Support office cost reduction – head count down 14, cost saving \$1.6M
- Improved marketing spend – increased spend with a focussed local and national campaign.
- Practice OPEX reduction – improved staffing ratios in some practices and integrated use of contact centre.
- Improved overhead efficiency – skills development, use of scale to improve purchasing power.

Targeted Investment

- Investment in IT – purchasing and inventory systems, appointment of procurement officer
- Practice upgrade – targeted refurbishment, relocation and amalgamation



6. Key Risks



6. KEY RISKS

Investors should be aware that there are risks associated with an investment in Smiles. Some of the principal factors which may, either individually or in combination, affect the future operating performance of Smiles are set out below. Some are specific to an investment in Smiles and the New Shares and others are of a more general nature.

The summary of risks below is not exhaustive. This Presentation does not consider the personal circumstances, financial position or investment requirements of any person. Additional risks and uncertainties that Smiles is unaware of, or that it currently considers to be immaterial, may also become important factors that adversely affect the future performance of Smiles and the New Shares.

The Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow entitlement offers to be made without a prospectus. This presentation does not contain all of the information which may be required in order to make an informed decision regarding an application for New Shares offered under the Entitlement Offer. As a result, it is important for you to carefully read and understand the information on Smiles made publicly available, prior to deciding whether to take up all or part of your Entitlement. You should have regard to your own investment objectives and financial circumstances and should seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest.

FY19 results

The Company's result for FY19 remain unaudited. The audit process could result in a materially adverse adjustment of these results, including an impairment of the value of the practices (which would be a non-cash adjustment on the balance sheet). The Company has not received any indications as to whether or not its audited accounts may be subject to a modified opinion, emphasis of matter, or other matter paragraph.

Claims, liability and litigation

Smiles has current disputes with counterparties in respect of commercial agreements and employment related matters. There is a risk that these matters will not be settled in the way envisaged by the Company, which could impact the performance of the Company. In addition, the Company may incur costs in defending or making payments to settle any such claims, which may not be adequately covered by insurance or at all. Such payments may have an adverse impact on the Company's profitability or financial position. Irrespective of the resolution to these matters the business will remain exposed to claims, liability and litigation which that the current time it is not aware of. There is also a risk that counterparties to disputes may publicly disparage the Company throughout the dispute process, which may have an adverse effect stakeholders and the Company's financial performance.

Limited and Underperforming Trading History

While Directors and senior management have experience in business, management and the dental industry, Smiles has limited financial and operating history. Smiles' ability to achieve its objectives depends on the ability of Smiles, the Board and senior management to successfully integrate the Practices, to implement the turnaround and to respond in a timely and appropriate manner to any unforeseen circumstances.

Turnaround plan

The turnaround plan comprises several major work-streams, each with several sub-work-streams, many of which are critical to the business' ongoing performance and viability. Failure of Smiles, the Board and senior management to successfully implement the turnaround plan may negatively impact the Company.

Financing Risk

Smiles intends to rely on a combination of funding options including equity, contributions under the Joint Venture Partner Program and the existing financing facilities to fund its operations. An inability to attract funding or to drawdown or subsequently refinance the financing facilities, or any increase in the cost of such funding, may adversely impact the performance and financial position of the Group. At present the primary banker for the group, NAB, together with our major creditors have continued to work with the business as required to enable it to implement the turnaround plan. This continued support is essential.

Redevelopment of reputation and brand

As part of the turnaround, Smiles is looking to reestablish its brand in the marketplace, together with its corporate reputation. The Group's reputation and brand may be affected by factors within and outside of the Group's control, including actions of staff and dental practitioners, and the experience and actions of patients. Any issues or events in relation to individual practices could also have the potential to impact the reputation and brand of the Group, which may affect future growth and profitability.



6. KEY RISKS

Information systems risks

The Company relies on computer, information, and communications technology and related systems in order to properly operate the administrative and compliance aspects of its business. From time to time, the Company experiences occasional system interruptions and delays.

The Company has processes in place to respond to system interruptions and delays. However, in the event it is unable to regularly deploy software and hardware, effectively upgrade its systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of its systems, the operation of such systems could be interrupted or result in the loss or corruption of data. In addition, the Company's computer systems are subject to the risks of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorized access to the Company's and its customers' proprietary or classified information.

The Company relies on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on its information systems. The Company has devoted, and will continue to devote, significant resources to the security of its computer systems, however they may still be vulnerable to these threats.

A user who circumvents security measures could misappropriate confidential or proprietary information or cause interruptions or malfunctions in operations. As a result, the Company may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage the Company's reputation and have a generally material adverse effect on its operating and financial performance.

Loss of key management personnel and ability to attract and retain skilled workers

The Company's ability to be productive, profitable and competitive and to implement planned growth initiatives depends on the continued employment and performance of senior executives and other key members of management. The Company's performance also depends on its ability to attract and retain skilled workers with the relevant industry and technical experience.

The current Executive team are focused on the continued development and execution of the turnaround plan. If any one of these individuals resigns or becomes unable to continue in his or her present role and is not adequately replaced in a timely manner, business operations and the ability to implement the Company's strategies could be materially disrupted. The loss of a number of key personnel or inability to attract additional personnel may have an adverse impact on the financial and operating performance of the Company.

There can be no assurance that the Company will be able to attract and retain skilled and experienced employees and, should it lose any of its key management personnel or fail to attract qualified personnel, its business may be harmed and its operational and financial performance could be adversely affected.

Competition

The industry in which the Group will operate is highly competitive. The actions of existing and new competitors in the dental industry could, among other things, affect the establishment and growth of the Totally Smiles brand, result in a decline in the number of patients that visit the Practices and/or result in the Group experiencing lower than anticipated revenue and margins.

Regulatory and Policy Risk

There are a number of industry risk factors that may affect the future operation and performance of the Group that are outside its control, including regulation of the dental industry.

Regulatory change may adversely impact the financial performance of the Group where it leads to increased compliance costs, decreased demand for dental services or a decrease in per patient revenues.

Economic risk and external market factors

Various factors including political movements, stock market trends, changing customer preferences, interest rates, inflation levels, commodity prices, foreign exchange rates, industrial disruption, environmental impacts, international competition, taxation changes and legislative or regulatory changes, may have an adverse impact on the Company's operating costs, profit margins and Share price. These factors are beyond the control of the Company and it cannot, to any degree of certainty, predict how they will impact on the Company.

Prolonged deterioration in general economic conditions could potentially have an adverse impact on the Company and its operations and may adversely impact the trading price of Smiles shares.



**totally
smiles**
DENTAL GROUP

Slide 26

6. KEY RISKS

Risks associated with an investment in Shares

There are general risks associated with investments in equity capital such as Smiles shares. The trading price of Smiles shares may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for the New Shares being lessor more than the price under the Entitlement Offer. Generally applicable factors that may affect the market price of shares include: general movements in Australian and international stock markets; investor sentiment; Australian and international economic conditions and outlook; changes in interest rate and the rate of inflation; changes in government legislation and policies; in particular taxation laws; announcement of new technologies, geo-political instability, including international hostilities and acts of terrorism; demand for and supply of Smiles securities; announcements and results of competitors; analyst reports; and future issues of Smiles securities.

No assurances can be given that the New Shares will trade at or above the Entitlement Offer price. None of Smiles, its directors or any other person guarantees the market performance of the New Shares.

The operational and financial performance and position of Smiles share price may be adversely affected by a worsening of general economic conditions in Australia, as well as international market conditions and related factors. It is also possible that new risks might emerge as a result of Australian or global markets experiencing extreme stress or existing risk, may manifest themselves in ways that are not currently foreseeable. The equity markets have in the past and may in the future be subject to significant volatility.

Change in accounting or financial reporting standards

Changes in accounting or financial reporting standards may adversely impact the reported financial performance of Smiles.

Negative Publicity

Smiles will be subject to the risk that negative publicity, whether true or not, may affect stakeholder perceptions and future prospects. This has been and remains an issue for the Company, with a select few (including counterparties to legal disputes and otherwise) attempting to disparage the Company publicly for reasons that are not always clear. The ongoing disruption from these few, could negatively impact the Company. If Smiles does not manage these expectations in an effective manner, it could give rise to loss of investor confidence in its business and management and may further adversely impact the trading price of Smiles.

Underwriting risk

The Underwriting Agreement relating to the Entitlement Offer sets out various events, the occurrence of which will entitle the Underwriters to terminate the Underwriting Agreement. Accordingly, there is a risk that the Underwriters may terminate their obligations under the Underwriting Agreement if any such events occur. These events include where:

- there is a significant decline in the ASX 200
- any of the offer documents (including this Investor Presentation and all ASX announcements made in connection with the Entitlement Offer) omit certain material required by the Corporations Act, contain a statement which is misleading or deceptive, or the cleansing notice lodged by Smiles in respect of the Entitlement Offer is "defective" within the meaning of the Corporations Act;
- there are certain delays in the timetable for the Entitlement Offer without the Underwriters' consent;
- Smiles ceases to be admitted to the official list of ASX or its ordinary shares are suspended from trading or quotation;
- Smiles withdraws the Entitlement Offer;
- there is a material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of Smiles;
- Smiles takes certain regulatory action in respect of the Company or the Offer.

Risks associated with not taking up your rights under the Entitlement Offer

If you do not take up all of your entitlements to acquire New Shares under the Entitlement Offer, your percentage shareholding in Smiles will be diluted by not participating to the full extent in the Entitlement Offer. As the Entitlement Offer is non-renounceable, you will not receive any value for entitlements you do not take up.



Thank you

3. How to apply

3.1 Shareholder's choices

The number of New Shares to which Eligible Retail Shareholders are entitled (their **Entitlement**) is shown on the accompanying Entitlement and Acceptance Form. Eligible Retail Shareholders may:

- (a) take up their Entitlement in full and, if they do so, they may apply for additional New Shares under the Top Up Facility (refer to section 3.2);
- (b) take up part of their Entitlement, in which case the balance of the Entitlement would lapse (refer to section 3.3); or
- (c) allow their Entitlement to lapse (refer to section 3.4).

Ineligible Shareholders may not take up any of their Entitlements.

The Company reserves the right to reject any Entitlement and Acceptance Form that is not correctly completed or that is received after the Closing Date.

The Closing Date for acceptance of the Retail Entitlement Offer is 5pm (AEDT) on Friday 11 October 2019 (however, that date may be varied by the Company, in accordance with the Listing Rules).

3.2 Taking up all of your Entitlement and participating in the Top Up Facility

If you wish to take up your Entitlement in full, follow the instructions set out in the Entitlement and Acceptance Form.

If you have applied to take up all of your Entitlement, you may also apply for additional New Shares under the Top Up Facility.

You may apply by completing the Entitlement and Acceptance Form accompanying this Information Booklet or by downloading your Entitlement and Acceptance Form online at <https://events.miraql.com/SIL-offer> and completing the validation requirements.

Please return your completed Entitlement and Acceptance Form together with your Application Monies in accordance with section 3.5 for the amount shown on the Entitlement and Acceptance Form to the Share Registry so that it is received no later than 5pm (AEDT) on Friday 11 October 2019 at the address set out below:

By hand delivery (not to be used if mailing)

Smiles Inclusive Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

By post

Smiles Inclusive Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Alternatively, you may also take up all of your Entitlement by payment of the Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form or by downloading your Entitlement and Acceptance Form online at <https://events.miraqle.com/SIL-offer> by clicking on the 'Offer Button' and completing the validation requirements.

If payment is being made through BPAY, you do not need to return the Entitlement and Acceptance Form. Your payment must be received by no later than 5pm (AEDT) on Friday 11 October 2019.

If you do not return the Entitlement and Acceptance Form, amounts received by the Company in excess of the Offer Price multiplied by your Entitlement (**Excess Amount**) may be treated as an application to apply for as many additional New Shares as your Excess Amount will pay for in full.

If you apply for additional New Shares under the Top Up Facility and your application is successful (in whole or in part) your New Shares will be issued at the same time that other New Shares are issued under the Retail Entitlement Offer. There is no guarantee you will receive any New Shares under the Top Up Facility. The Directors reserve their right to allot and issue New Shares under the Top Up Facility at their discretion.

Refund amounts, if any, will be paid in Australian dollars. You will be paid either by cheque sent by ordinary post to your address as recorded on the share register (the registered address of the first-named in the case of joint holders), or by direct credit to the nominated bank account as noted on the share register as at the Closing Date of the offer. If you wish to advise or change your banking instructions with the Share Registry you may do so by going to <https://investorcentre.linkmarketservices.com.au/Login.aspx/Login> and following the instructions.

If you apply online and do not pay via BPAY, you must personally print out and complete the online Entitlement and Acceptance Form. Entitlement and Acceptance Forms downloaded online must not be completed by third parties, including authorised third parties (e.g. the Applicant's broker).

3.3 Taking up part of your Entitlement and allowing the balance to lapse

If you wish to take up part of your Entitlement, complete the Entitlement and Acceptance Form for the number of New Shares you wish to take up and follow the other steps required in accordance with section 3.2. No further action is required in relation to the balance of your Entitlements that are not taken up which will simply lapse.

You may arrange for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form. If payment is made through BPAY and the Company receives an amount that is less than the Offer Price multiplied by your Entitlement (**Reduced Amount**), your payment may be treated as an application for as many New Shares as your Reduced Amount will pay for in full.

3.4 Allow your Entitlement to lapse

If you do not wish to accept all or any part of your Entitlement, do not take any further action and that part of your Entitlement will lapse.

The Entitlement Offer is non-renounceable and therefore your Entitlement will not be tradable on the ASX or otherwise transferable.

3.5 Consequences of not accepting your Entitlement

If you do not accept all of your Entitlement in accordance with the instructions set out above, any New Shares that you would have otherwise been entitled to under the Retail Entitlement Offer (or New Shares that relate to the portion of your Entitlement that has not been accepted) may be acquired by the Underwriters or any sub-underwriters, or under the Top Up Facility.

Eligible Retail Shareholders who do not take up all of their Entitlements will have their percentage shareholding in the Company further diluted.

3.6 Payment

The consideration for the New Shares (including under the Top Up Facility) is payable in full on application by a payment of \$0.05 per New Share. The Entitlement and Acceptance Form must be accompanied by a cheque for the Application Monies. Cheques must be drawn in Australian currency on an Australian bank and made payable to '**Smiles Inclusive Limited**' and crossed 'Not Negotiable'.

Alternatively, you may arrange for payment of the Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.

Eligible Retail Shareholders must not forward cash by mail. Receipts for payment will not be issued.

3.7 Entitlement and Acceptance Form is binding

A completed and lodged Entitlement and Acceptance Form, or a payment made through BPAY, constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Information Booklet and, once lodged or paid, cannot be withdrawn. If the Entitlement and Acceptance Form is not completed correctly it may still be treated as a valid application for New Shares. The Directors' (or their delegates') decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement and Acceptance Form is final.

By completing and returning your personalised Entitlement and Acceptance Form with the requisite Application Monies or making a payment by BPAY, you will also be deemed to have acknowledged, represented and warranted on behalf of each person on whose account you are acting that:

- (a) you are an Eligible Retail Shareholder and are not in the United States and are not a person (including nominees or custodians) acting for the account or benefit of a person in the United States and are not otherwise a person to whom it would be illegal to make an offer or issue New Shares under the Retail Entitlement Offer;
- (b) you acknowledge that the New Shares have not been, and will not be, registered under the US Securities Act or under the laws of any other jurisdiction outside Australia or New Zealand; and
- (c) you have not and will not send any materials relating to the Retail Entitlement Offer to any person in the United States or to any person (including nominees or custodians) acting for the account or benefit of a person in the United States.

3.8 Brokerage and Stamp Duty

No brokerage fee is payable by Eligible Retail Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for New Shares under the Entitlement Offer.

3.9 Notice to Nominees and Custodians

Nominees and custodians may not distribute any part of this Information Booklet or any Entitlement and Acceptance Form in any country outside Australia, except to beneficial holders of Shares in New Zealand, and beneficial holders of Shares who are institutional, sophisticated or professional investors in other countries to the extent the Company may determine it is lawful and practical to make the Retail Entitlement Offer.

4. Additional information

4.1 Rights attaching to New Shares

From allotment and issue, the New Shares will rank equally in all respects with Existing Shares.

4.2 Interests of Directors

Directors are entitled to take up their Entitlements to New Shares, however Directors or their Related Parties will not be issued any Top Up Shares.

4.3 ASX quotation

The Company has made an application to ASX for the New Shares to be granted quotation on ASX. If permission is not granted for quotation of the New Shares on ASX, then no allotment and issue of any New Shares will take place and Application Monies (without interest) will be returned in full to Applicants.

Trading of New Shares will, subject to ASX approval, occur on or about the date specified in the Timetable.

4.4 Allotment and Despatch of Shareholding Statements

Subject to the New Shares being granted quotation on ASX, the New Shares will be allotted and issued and holding statements despatched in accordance with the Timetable. It is expected that allotment and issue of New Shares under the Retail Entitlement Offer will take place on or about Friday, 18 October 2019. It is expected that holding statements for the New Shares will be despatched on or about Tuesday, 22 October 2019.

Application Monies will be held in trust in a subscription account until allotment and issue of the New Shares. No interest will be paid to Applicants.

4.5 CHESS

The Company will apply to have the New Shares issued under this Entitlement Offer admitted to participate in CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. The Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up the principal register of New Shares.

4.6 Taxation

You should be aware that there may be taxation implications associated with participating in the Entitlement Offer and receiving New Shares.

The Directors consider that it is not appropriate to give advice regarding the taxation consequences of subscribing for New Shares under this Information Booklet, or the subsequent disposal of any New Shares allotted and issued under this Information Booklet. The Company, its advisers and officers do not accept any responsibility or liability for any taxation consequences to potential Applicants. The Directors recommend that all Shareholders consult their own professional tax advisers in connection with subscribing for, and subsequent disposal of, New Shares allotted and issued under this Information Booklet.

4.7 Withdrawal of the Entitlement Offer

The Company reserves the right to withdraw or not proceed with the whole or any part of the Entitlement Offer at any time prior to the allotment of New Shares. In that event, any relevant Application Monies that have been received under the Retail Entitlement Offer will be refunded without interest.

4.8 Enquiries

If you have any queries about your Entitlement please contact the Company, the details for which are set out in the Corporate Information section at the back of this Information Booklet.

Alternatively, contact your stockbroker, solicitor, accountant or other professional adviser.

5. Definitions

These definitions are provided to assist persons in understanding some of the expressions used in this Information Booklet.

\$ means Australian dollars.

Accelerated Entitlement Offer means the component of the Entitlement Offer made to Eligible Accelerated Shareholders in the manner set out in section 1.2 of this Information Booklet.

AEDT means Australian Eastern Daylight Time.

AEST means Australian Eastern Standard Time.

Applicant means a person who has applied to subscribe for New Shares by submitting an Acceptance Form or arranging for payment through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.

Application means the submission of an Entitlement and Acceptance Form accompanied by the relevant Application Monies or arranging for payment of the relevant Application Monies through BPAY in accordance with the instructions on the Entitlement and Acceptance Form.

Application Monies means the aggregate amount of money payable for the New Shares applied for in a duly completed Entitlement and Acceptance Form or through BPAY.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).

ASX Settlement Operating Rules means the official operating rules of ASX Settlement Pty Ltd ACN 008 504 532.

Board means the board of Directors of the Company.

Business Day has the same meaning as in the Listing Rules.

CHES means Clearing House Electronic Subregister System, operated by ASX Settlement Pty Ltd ACN 008 504 532.

Closing Date means 5pm AEDT on Friday 11 October 2019, the day the Retail Entitlement Offer closes or such other date as the Directors in their absolute discretion determine, subject to the Listing Rules.

Company means Smiles Inclusive Limited ACN 621 105 824.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company.

Eligible Accelerated Shareholder means an institutional, professional or sophisticated Shareholder on the Record Date who:

- (a) is not an Ineligible Shareholder; and
- (b) has successfully received an offer under the Accelerated Entitlement Offer (either directly or through a nominee).

Eligible Retail Shareholder means a Shareholder on the Record Date who:

- (a) has a registered address in Australia or New Zealand or is a Shareholder that the Company and the Underwriter/Lead Manager have otherwise determined is eligible to participate;
- (b) is not in the United States and is not a person (including a nominee or custodian) acting for the account or benefit of a person in the United States;
- (c) was not invited to participate in the Accelerated Entitlement Offer and was not treated as an Ineligible Shareholder under the Accelerated Entitlement Offer; and
- (d) is eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer without any requirement for a prospectus to be lodged or registered.

Entitlement means the right to subscribe for New Shares pursuant to the Entitlement Offer.

Entitlement and Acceptance Form means the Entitlement and Acceptance Form accompanying this Information Booklet.

Entitlement Offer means the pro rata accelerated renounceable offer to subscribe for 1 New Share for every 1 Shares of which the Shareholder is the registered holder on the Record Date, at the Offer Price, and comprised of the Accelerated Entitlement Offer and the Retail Entitlement Offer components.

Entitlement Offer Costs means direct costs of the Entitlement Offer including fees paid to the Lead Manager, Underwriter and advisers and to providers of specific services to cover share registry, printing and postage costs.

Existing Shares means the Shares already on issue in the Company as at the Record Date.

Ineligible Shareholder means a Shareholder (or beneficial holder of Shares) on the Record Date with a registered address outside Australia and New Zealand or any other jurisdiction that the Company and the Lead Manager/Underwriter agree to whom ASX Listing Rule 7.7.1(a) applies.

Information Booklet means this document issued under section 708AA of the Corporations Act.

Investor Presentation means the presentation to investors, released to the ASX on 25 September 2019, incorporated in section 2 of this Information Booklet.

Legal Adviser means Talbot Sayer Lawyers.

Listing Rules means the official listing rules of ASX.

New Shares means Shares to be allotted and issued under the Entitlement Offer.

Offer Price means \$0.05 per New Share.

Record Date means 7pm AEDT on 26 September 2019.

Retail Entitlement Offer means the component of the Entitlement Offer made to Eligible Retail Shareholders pursuant to this Information Booklet in the manner set out in section 1.3 .

Shareholders mean holders of Shares.

Shares means fully paid ordinary shares in the capital of the Company.

Share Registry means Link Market Services Limited ACN 083 214 537.

Shortfall Facility means the facility described in section 1.6 under which the Shortfall Shares may be issued.

Shortfall Shares means those New Shares not taken up by Eligible Retail Shareholders under the Entitlement Offer or the Top Up Facility, together with those New Shares to which any Ineligible Shareholders would otherwise have been entitled which have not been acquired by the Underwriters or any sub-underwriters under the Underwriting Agreement.

Timetable means the indicative timetable set out in section 1.

Top Up Facility means the facility described in sections 1.4 and 3.2 under which certain Eligible Retail Shareholders and Eligible Accelerated Shareholders may apply for Top Up Shares.

Top Up Shares means New Shares an Eligible Retail Shareholder may apply for in excess of their Entitlements.

Underwriter or **Lead Manager** means Morgans Corporate Limited ACN 010 539 607.

USA means United States of America.

US Securities Act means the US Securities Act of 1933, as amended.

VWAP means volume weighted average price.

6. Corporate information

COMPANY

Smiles Inclusive Limited
ACN 621 105 824
<https://smilesinc.com.au/investor-centre/>

PRINCIPAL OFFICE

Unit 3/38-40 Township Drive
West Burleigh, QLD 4219

REGISTERED OFFICE

Level 27, 123 Eagle Street
Brisbane, QLD 4000

DIRECTORS

David Usasz
Peter Evans
Peter Fuller

COMPANY SECRETARY

Emma Corcoran

SHARE REGISTRY

Link Market Services Limited

Level 21, 10 Eagle Street
Brisbane QLD 4000

Phone:
Within Australia: +61 2 8280 7111
Fax: +61 2 9287 0303

www.linkmarketservices.com.au

UNDERWRITER AND LEAD MANAGER TO THE ENTITLEMENT OFFER

Morgans Corporate Limited ACN 010 539 607
Level 29, 123 Eagle St, Brisbane QLD 4000
GPO Box 202 Brisbane QLD 4001

LEGAL ADVISOR TO THE ENTITLEMENT OFFER

Talbot Sayer Lawyers

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