

OVATO LIMITED

ACN 050 148 644

CLEANSING PROSPECTUS

This Prospectus relates to an offer of up to 100 New Shares at an issue price of \$0.005 per New Share to raise up to \$0.50 (before costs of the offer) ("**Offer**").

This Prospectus has been prepared primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to or on the Closing Date without disclosure under Part 6D of the Corporations Act.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.

THE SECURITIES OFFER IN CONNECTION WITH THIS PROSPECTUS ARE CONSIDERED SPECULATIVE. IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.

CONTENTS

CLAUSE	PAGE
1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES	3
2. DETAILS OF THE OFFER.....	7
3. EFFECT OF THE OFFER ON THE COMPANY	10
4. RIGHTS AND LIABILITIES ATTACHING TO SHARES	11
5. RISKS	14
6. ADDITIONAL INFORMATION	18
7. DIRECTORS' AUTHORISATION.....	22
8. GLOSSARY	23

1. **SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES**

1.1 **General**

This Prospectus is dated, and was lodged with ASIC on, 19 March 2021. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No New Shares will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

The Company will apply to ASX within seven days of the date of this Prospectus for Official Quotation by ASX of the New Shares the subject of the Offer. If approval is not obtained from ASX before the expiration of 3 months after the date of this Prospectus (or any longer period permitted by law), the Offer will be withdrawn, the Company will not issue any New Shares and will repay all application monies received within the time prescribed under the Corporations Act without interest. The fact that ASX may grant Official Quotation for the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares offered under this Prospectus.

The Offer is not available to the general public and is only available to those persons who are personally invited by the Company to accept the Offer. The Company will provide an Application Form to those persons only.

This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer. Applications for New Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which will be provided by the Company with this Prospectus.

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

This Prospectus (including each of the documents attached to it and which form part of this Prospectus) is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

In particular, it is important that you consider the risk factors in Section 5 that could affect the performance of the Company before making an investment decision.

1.2 **Foreign jurisdictions**

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore, persons in such jurisdictions who come into possession of this document should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No action has been taken to register or qualify the New Shares or the Offer, or to otherwise permit a public offering of the New Shares in any jurisdiction outside Australia. This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy, securities in the United States. The New Shares have not been, and will not be, registered

under the US Securities Act of 1933 (**US Securities Act**) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

1.3 **Continuously quoted securities**

In preparing this Prospectus, regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and their professional advisers. This Prospectus is issued pursuant to section 713 of the Corporations Act. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering.

1.4 **Exposure period**

No exposure period applies to the Offer.

1.5 **Investment advice**

This Prospectus does not provide investment advice and has been prepared without taking into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to their particular needs, their individual risk profile for speculative investments, investment objectives and individual financial circumstances. If persons considering applying for the New Shares have any questions, they should consult their stockbroker, solicitor, accountant or other professional adviser.

1.6 **Forward-looking statements**

This Prospectus contains forward-looking statements which may be identified by words such as 'believes', 'estimates', 'expects', 'intends', 'may', 'will', 'would', 'could', 'target' or 'should' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management of the Company.

Key risks associated with an investment in the Company are detailed in Section 5. These risks and other factors could cause actual results to differ materially from those expressed in any forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

The Company cannot and does not give assurances that the results, performance or achievements expressed or implied in the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

1.7 **Prospectus Availability**

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 4, 60 Union Street, Pyrmont NSW 2009, during normal business hours. The

Company will provide a copy of this Prospectus to any person on request. The Prospectus will also be made available in electronic form.

Application Forms in respect of the Offer contained in this Prospectus will only be provided to those persons who are personally invited by the Company to accept the Offer.

If you have received this document as an electronic Prospectus please ensure that you have received the entire Prospectus. If you have not, please phone the Company on +61 2 9412 6004 and the Company will send you, for free, either a hard copy or a complete electronic copy of the Prospectus.

The Company reserves the right not to accept an Application Form if it has reason to believe that when that person was given access to the Application Form, it was not provided together with the Prospectus and any relevant supplementary or replacement Prospectus or any of those documents were incomplete or altered.

1.8 **Enquiries**

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker or legal, financial or other professional adviser without delay.

1.9 **Currency**

All financial amounts contained in this Prospectus are expressed as Australian dollars unless otherwise stated.

1.10 **Rounding**

Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

1.11 **Time**

All references to time in this Prospectus are references to Sydney time, unless otherwise stated.

1.12 **Glossary**

Capitalised terms and abbreviations used in this Prospectus are defined in the glossary of terms in Section 8.

PROPOSED TIMETABLE

EVENT	INDICATIVE DATE
Lodgement of Prospectus with ASIC	19 March 2021
Opening Date	19 March 2021
Closing Date	5.00 pm on 25 March 2021

The dates and times set out above are indicative only. Subject to the Corporations Act, ASX Listing Rules and other applicable laws, the Company reserves the right to vary any or all of the dates and times of the Offer without prior notice, including extending the Closing Date or accepting late applications, either generally or in particular cases, or to withdraw the Offer without prior notice.

2. **DETAILS OF THE OFFER**

2.1 **The Offer**

Under this Prospectus, Ovato Limited ACN 050 148 644 (the **Company**) is offering the opportunity to subscribe for up to 100 ordinary shares in the capital of the Company (**New Shares**) at a price of \$0.005 to raise \$0.50 (before costs of the Offer) (the **Offer**).

The Offer is being extended to unrelated parties who are invited by the Company to subscribe for New Shares and is not open to the general public. Application Forms will only be provided to those unrelated parties invited by the Company.

All of the New Shares issued under the Offer will be fully paid ordinary shares in the capital of the Company. New Shares offered under the Offer will rank equally in all respects with existing Shares on issue. A summary of the rights and liabilities attaching to the New Shares is set out in Section 4.

2.2 **Purpose of the Offer and this Prospectus**

Under the Offer, the Company is seeking to raise a nominal amount of A\$0.50 (before costs of the Offer). Accordingly, the key purpose of the offer is not to raise capital.

The Company will issue 3,480,000,000 Shares on 22 March 2021 pursuant to the Equity Conversion, as described below.

As trading in the Company's Shares were suspended on ASX for more than five days in the last 12 months, the Company is presently unable to issue a cleansing notice under section 708A of the Corporations Act in order to remove any secondary sale restrictions that may arise under the Corporations Act in respect of the Shares issued pursuant to the Equity Conversion (**on-sale restrictions**).

However, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure (and therefore would be exempt from the on-sale restrictions) if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body;
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

This Prospectus has accordingly been lodged before the date that the Shares under the Equity Conversion are issued by the Company, with offers for New Shares open for acceptance on the date on which the Shares under the Equity Conversion will be issued. As such, the Shares issued under the Equity Conversion (and any other Shares issued by the Company prior to the Closing Date) will be exempt from the on-sale restrictions (see paragraph (b)(ii) above) as a result of the issue of this Prospectus in accordance with section 708A(11) of the Corporations Act.

2.3 The Equity Conversion

Schemes of Arrangement

As previously announced to the ASX in connection with the creditors' and members' schemes of arrangement approved by the Supreme Court of New South Wales on 21 December 2020 (**Schemes**) and the entitlement offer conducted by the Company that completed on 24 December 2020, as part of the restructuring of the Ovato Group in connection with the Schemes, the Company entered into arrangements with:

- (a) the holders of subordinated notes issued by Ovato Finance Pty Limited ACN 053 814 976 (**Ovato Finance**) (**Notes**) for the purpose of agreeing a compromise of the amount owing on the Notes from \$40 million to \$15 million, with this amount to be converted into equity (subject to shareholder approval) (**Note Conversion**); and
- (b) the landlord of the properties leased by the Ovato Group at 42 Boorea Street, Lidcombe and 44 Boorea Street, Lidcombe (**Properties**) for the purpose of agreeing a compromise to extinguish the \$6.4 million liability owed by the Ovato Group to the landlord other than for an amount of \$2.4 million, with this amount to be converted into equity at the election of the Company (subject to shareholder approval) (**Lease Conversion**),

(together the **Equity Conversion**).

The Equity Conversion was approved at a meeting of shareholders of the Company on 19 March 2021, and will result in the issue of 3,480,000,000 Shares by the Company in connection with the Note Conversion and Lease Conversion.

By the Company complying with section 708A(11) of the Corporations Act, the recipients of Shares under the Equity Conversion, together with the recipients of any other Shares issued by the Company prior to the Closing Date, may sell those Shares without restriction within the next 12 months without the issue of a prospectus or other disclosure document.

2.4 Minimum subscription and oversubscription

There is no minimum subscription in respect of the Offer and no oversubscriptions will be accepted by the Company.

2.5 Applications

Applications for New Shares under the Offer must only be made by those persons who are personally invited to accept the Offer and must be submitted using an Application Form provided by the Company to invited investors.

By completing an Application Form, an Applicant will be taken to have declared that all details and statements made by the Applicant are complete and accurate and that the Applicant has personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Payment for New Shares must be made in full at the issue price of \$0.005 per New Share. Completed Application Forms and accompanying evidence of payment of the issue price must be delivered to the address set out on the Application Form by no later than the Closing Date.

2.6 Offering period

The Opening Date of the Offer is 19 March 2021 and the Closing Date of the Offer is 5.00pm 25 March 2021, subject to the Company's right to close the Offer early.

2.7 **Not underwritten**

The Offer is not underwritten.

2.8 **Use of funds**

After paying for the expenses of the Offer of approximately \$20,000, there will be no proceeds from the Offer. The additional expenses of the Offer will be met from the Company's existing cash reserves.

2.9 **Issue of Shares**

This Prospectus has primarily been issued to cleanse the issue of Shares under the Equity Conversion and any other Shares issued by the Company on or before the Closing Date.

In the event that the Directors decide to issue the New Shares under this Prospectus, the issue of the New Shares will take place as soon as practicable after the Closing Date. Application monies will be held in a separate account on trust by the Company until the New Shares are issued. Any interest earned on application monies will be for the benefit of the Company and will be retained by the Company regardless of whether the New Shares are issued and each Applicant waives the right to claim any interest.

The Directors will determine the allocation of New Shares and reserve the right to reject any application for New Shares or to allocate a lesser number of New Shares applied for, at their discretion.

3. **EFFECT OF THE OFFER ON THE COMPANY**

3.1 **Effect on capital structure**

The effect of the Offer on the capital structure of the Company is set out below:

	Number¹
Shares on issue at the date of this Prospectus	12,212,812,252
New Shares to be issued pursuant to the Offer	100
Total Shares to be issued pursuant to the Offer	12,212,812,352

Notes:

1. The above capital structure assumes the Offer is fully subscribed and incorporates the shares to be issued under the Equity Conversion. There is no guarantee that the Offer will be fully subscribed or that any shares will be issued pursuant to the Offer.

3.2 **Financial effect of the Offer**

The Offer will have a minimal effect on the Company's financial position as it will raise a nominal amount of \$0.50 which is likely to be reduced by the costs of making the Offer. The Company's cash balance will be reduced by the amount of the expenses of the Offer less any proceeds received under the Offer.

3.3 **Effect on control**

The Offer is for a nominal amount of New Shares, and as such the issue of New Shares under the Offer will not have a material impact upon Control (as defined in the Corporations Act) of the Company.

3.4 **Dilution risk**

The Offer is for a nominal amount of New Shares, and as such will have a minimal dilution impact to existing Shareholders.

4. **RIGHTS AND LIABILITIES ATTACHING TO SHARES**

4.1 **Overview**

New Shares in the Company issued in accordance with this Prospectus will be issued fully paid and will rank equally with all other existing Shares in the Company.

The rights and liabilities attaching to Shares in the Company are set out in the Company's constitution (the **Constitution**) and in the Corporations Act. A copy of the Constitution may be obtained from the Company's website (www.ovato.com.au) or from the Company on request (free of charge).

Under the Corporations Act, the Constitution has effect as a contract between the Company and each member of the Company and between a member of the Company and each other member. Accordingly, the recipients of New Shares issued in accordance with this Prospectus will become liable to comply with the Constitution.

This section 4 sets out a summary of the rights and liabilities attaching to Shares. It does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of the Company. Such rights and liabilities involve complex questions of law arising from the interaction of the Constitution, ASX Listing Rules, statutory and common law requirements.

4.2 **General meetings and notices**

Shareholders of the Company's rights to attend and vote at shareholder meetings are mostly prescribed by the Corporations Act. Each Shareholder of the Company is entitled to receive notice of, attend and (except in certain circumstances) vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders of the Company under the Constitution, the Corporations Act and ASX Listing Rules.

The Company may serve notice on a Shareholder in any manner permitted by the Corporations Act.

4.3 **Voting rights**

Subject to any restrictions for the time being attached to any class or classes of shares in the Company and the terms of the Constitution, at a general meeting, every Shareholder of the Company present in person or by proxy, attorney or representative has:

- (a) one vote on a show of hands (unless a member has appointed two or more proxies); and
- (b) one vote on a poll for each fully paid share in the Company held (with adjusted voting rights for partly paid shares in the Company).

Where there are two or more joint Shareholders of a share in the Company and more than one joint Shareholder tenders a vote, the vote of the Shareholder named first in the register who tenders the vote, or on behalf of whom the vote is tendered, will be counted.

Voting at any meeting of Shareholders of the Company is by a show of hands unless a poll is demanded. A poll may be demanded (except of a resolution concerning the election of the chairman of a meeting) by (A) at least three members entitled to vote on the resolution, (B) members with at least 5% of the votes that may be cast on the resolution on the poll, or (C) the chairman.

If votes are equal on a proposed resolution, the chairman has a casting vote.

4.4 **Dividend rights and distributions in kind**

The Board may, subject to the Constitution and the Corporations Act, resolve to pay any dividend it thinks appropriate (including by way of a dividend in kind) and fix the time for payment.

4.5 **Issue of further shares in the Company**

The Board may (subject to the restrictions on the issue of shares imposed by the Constitution, the Corporations Act and the ASX Listing Rules) issue, grant options over or otherwise dispose of unissued Shares to any person on the terms, with the rights, and at the times that the Board decides.

4.6 **Variation of class rights**

Subject to the Corporations Act, the rights attached to a class of shares may be varied with the written consent of the holders of 75% of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class. Subject to the terms of issue, the rights conferred on the holders of shares in a particular class are not varied by the issue of further shares in the same class.

4.7 **Transfer of shares in the Company**

Subject to the Constitution, Shareholders may transfer Shares in the Company by any means permitted by the Corporations Act or law. The Board may refuse to register a transfer of Shares only if that refusal would not contravene the ASX Listing Rules or the ASX Settlement Operating Rules.

4.8 **Reduction of capital**

The Company may reduce its share capital by way of a reduction of capital, a buy-back or otherwise in accordance with the Constitution, the Corporations Act and the ASX Listing Rules.

4.9 **Minimum shareholding**

Where a Shareholder holds an 'unmarketable parcel' of Shares in the Company (a parcel of shares of a single class which is less than a marketable parcel within the meaning of the ASX Listing Rules, or any number as determined by the Board and subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules), those Shares may be sold by the Company subject to the terms set out in the Constitution.

4.10 **Capitalising profits**

The Company may capitalise profits, reserves or other amounts available for distribution to Shareholders. Subject to the terms of issue of shares and the Constitution, shareholders of the Company are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

4.11 **Preference shares**

The Company may issue preference shares (including redeemable preference shares) with rights as set out in the Constitution, or other rights as approved by special resolution of the Shareholders.

4.12 **Officers' indemnity**

Subject to the Corporations Act and other applicable laws, the Company, to the extent the person is not otherwise indemnified, indemnifies every officer (being a Director or company

secretary) of the Company and its wholly owned subsidiaries against a liability incurred as such an officer to a person. The Company may make a payment in respect of legal costs incurred by an officer in defending an action for a liability incurred as such an officer.

4.13 **Winding up**

If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide the assets of the Company among the Shareholders in kind and, for that purpose, decide how the division is to be carried out as between the shareholders of the Company and different classes of Shareholders and, with the sanction of a special resolution, vest the Company's assets in trustees on any trusts for the benefit of Shareholders as the liquidator thinks appropriate.

4.14 **Appointment of Directors**

Subject to the minimum number of Directors being three, and the maximum number of Directors as fixed by the Board (being a number not more than 8 unless otherwise resolved by the Company in general meeting), Shareholders may by ordinary resolution appoint any person as a Director.

4.15 **Amending the Constitution**

The Corporations Act provides that the constitution of a company may be modified or repealed by a special resolution passed by the shareholders of the company (ie. passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution).

The Constitution does not provide any further requirements to be complied with to effect a modification of, or to repeal, the Constitution.

5. **RISKS**

5.1 **COVID-19**

Events related to COVID-19 has resulted in significant market volatility. Specifically for the Company, as previously disclosed on ASX (including, most recently, on 25 February 2021 under the Company's H1 FY21 results), COVID-19 has had a significant impact on the Company's physical operations. While the availability of vaccines and effective social distancing measures are expected to mitigate the likelihood of another large scale outbreak of COVID-19, if a COVID-19 related infection occurs at a location in which the Company operates, this could again negatively impact the Company's ability to operate at that location and create a risk of broader infection of the Company's workforce which could negatively impact on the Company's ability to meet its contractual obligations, and may adversely impact the Company's financial and business performance. If the duration of such events surrounding COVID-19 is prolonged, the Company may need to take additional measures in order to respond appropriately, including by raising additional funding or selling assets/businesses.

The Company is also exposed to counterparty risk in respect of its customers failing to fulfil their contractual obligations. This risk may be heightened as a result of COVID-19 and may cause the Company's financial performance and business to be impacted where its customers experience financial difficulties, reduce or discontinue operations or default on obligations owed to the Company.

5.2 **Continuation of challenges in the printing industry**

The printing industry remains affected by challenges over the past decade arising from changes in demand. A shift in consumer preferences away from magazines, newspapers and catalogues has changed the advertising landscape with reduced demand causing overcapacity.

The Company's business segments are primarily in pre-media, printing and distribution of publications including catalogues, magazines, and books. There is a risk that the Company's product demand and pricing could continue to be subject to adverse impact from:

- (a) reductions in demand volume and the effect of consumer confidence on retail marketing;
- (b) pagination reductions and title closures by magazine and newspaper publishers;
- (c) competitive market pricing pressure; and
- (d) migration of advertising, entertainment and information media from print to digital platforms.

5.3 **Site consolidation risk**

An important requirement to underpin the Company's future operations is for the successful onboarding of Victorian volumes into the New South Wales production site at Warwick Farm to be achieved. Difficulties may be encountered in connection with this process which could result in the failure of the Company to realise some of the anticipated benefits of the Clayton site closure.

There are also risks associated with achieving the expected operational and financial cost savings.

5.4 **Litigation**

As with all businesses, the Company will be exposed to potential litigation and other claims or disputes in the course of its business, including litigation from employees, regulators and other third parties. As with any litigation, there are risks involved. An adverse outcome of litigation or the cost of responding to potential or actual litigation may have a materially adverse impact on the financial performance of the Company.

5.5 **Financial risk management**

The Company is exposed to credit risk, and adverse movements in foreign currency exchange rates and interest rates. This could adversely impact the Company's ability to achieve its financial performance objectives and reduce its ability to access financing facilities.

5.6 **Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. However, if a funding shortfall materialises, the Company may need to raise substantial additional short-term or long-term debt or equity or consider asset sales. Net debt as at 31 December 2020 was \$37.4 million (excluding lease liabilities and AASB 16).

In addition, Ovato has substantial debt facilities. The substantial debt facilities comprise:

- the A\$17 million secured chattel mortgage debt facility with Scottish Pacific, which matures in December 2023;
- the A\$50 million receivables financing facility with Scottish Pacific, which matures in August 2023;
- the Euro 17 million export financing loan agreement with Commerzbank AG, which matures on 30 September 2021; and
- the A\$16.9 million equipment financing bank loan agreement with Commerzbank AG, which matures on 7 July 2023.

Ovato's capacity to secure the requisite level of funding at the appropriate time will depend on the amount of funding required, the performance and future prospects of its business and a number of other factors, including interest rates, economic conditions, debt market conditions and equity market conditions prevailing at that time. There is no assurance that the required funding (either via debt or equity) can be secured at all or on reasonable terms, which may require Ovato to consider asset sales or alternative sources of funding.

5.7 **Interest rate risk**

Interest rate risk is the risk that a financial instrument value will fluctuate as a result of changes in market interest rates. The nature of the Company's financial arrangements exposes the Company to interest rate risk including from the movement and underline interest rates, which impacts on the Company's cost of funding and may adversely impact the Company's financial performance.

5.8 **Credit risk**

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions. For banks and financial institutions, the customer's individual risk limits are set based on internal or external ratings in accordance with limits set by the Directors and the companies credit insurer.

5.9 **Regulatory and Legislative Requirements**

There is a risk of a major change to, or a major breach of, existing regulations or legislation, which could impact the Company's ability to continue its current business operations or achieve its financial performance objectives. To the extent possible, the Company mitigates these risks by implementing policies, procedures and systems to comply with regulatory requirements.

5.10 **Technology and cyber security**

There is a risk of outage, disruption, or security breach of IT systems. This could result in significant business disruption or a loss of confidential business data. The Company mitigates this risk through IT security and infrastructure solutions. This is supported by IT policies and procedures governing security and usage of IT systems.

5.11 **Market price of the Shares**

The market price of Shares may fluctuate over time as a result of a number of factors including the financial performance and prospects of the Company, prevailing market conditions, general investor sentiment in those markets, inflation, interest rates, and the liquidity and the volume of the Shares been brought or sold at any point in time. It should be noted that there is no guarantee that the New Shares will trade at or above the issue price. It should also be noted that the historical share price performance of Shares does not necessarily provide any guidance as to its future Share price performance.

5.12 **Liquidity in market for shares**

There can be no guarantee that there will be an active or liquid market shares traded on ASX or that the price of the New Shares (if any) will increase. There may be relatively few or many potential buyers of the shares on ASX at any time particularly given the Hannan Family's relevant interest of approximately 43.3% shareholding as well as Are Media Pty Ltd having a relevant interest of approximately 16.4% in the Company following the issue of shares under the Equity Conversion. This may increase the volatility of the market price of the shares and may affect the price at which shareholders are able to sell the shares. Accordingly, there is a risk that the New Shares may trade at prices below the issue price.

5.13 **Dividends**

The Company has not paid any dividends since FY17. It is uncertain when the Company may be able to pay dividends and there can be no assurance, that dividends will be paid in the future.

5.14 **General**

General risk factors outside the control of the Company, which may have a significant impact on the future performance of the Company, include the following:

- (a) economic conditions in Australia and internationally which may have a negative impact on capital markets;
- (b) change investor sentiment and perceptions in local international stock markets;

- (c) changes in interest rates, exchange rates and the rate of inflation;
- (d) changes in domestic or international fiscal, monetary, regulatory, taxation and other government policies;
- (e) changes in environmental conditions, such as lack of access to water
- (f) geopolitical conditions such as actual threats of terrorism, military conflicts or international hostilities;
- (g) developments in general conditions and markets in which the Company operates; and
- (h) economic and natural disasters.

6. ADDITIONAL INFORMATION

6.1 Company is a disclosing entity

The Company is a 'disclosing entity' (as defined in section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. Specifically, the Company is required to continuously disclose any information to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a 'transaction specific prospectus' to which the special content rules under section 713 of the Corporations Act apply. In general terms transaction specific prospectuses are only required to contain information in relation to the effect of the issue of New Shares on the Company and the rights and liabilities attaching to the New Shares.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

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

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the FY21 half year financial report of the Company being the most recent financial report of the Company lodged with ASIC before the issue of this Prospectus (the **FY21 1H Report**); and
 - (ii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the annual financial report referred to in paragraph (i) above until the issue of this Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX in respect of, and following the release of the FY21 H1 Report on 25 February 2021:

- ASX Appendix 4D – 25 February 2021;

- FY21 H1 Investor Presentation – 25 February 2021;
- FY21 H1 Results Announcement – 25 February 2021; and
- Half Yearly Report and Accounts (for FY21 H1) – 25 February 2021.

6.2 Interests of Directors

Other than as announced to ASX, set out below or elsewhere in this Prospectus, no Director, or any entity in which a Director is a partner or director, has or has had in the 2 years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer; or
- the Offer,

and no amounts have been paid or agreed to be paid (in cash, Shares or otherwise) and no other benefit has been given or agreed to be given to any Director or to any entity in which a Director is a partner or a Director, either to induce him to become, or qualify as, a Director or otherwise for services rendered by him or by the entity in connection with the formation or promotion of the Company or the Offer.

6.3 Directors interests

The interests of the Directors (including via controlled entities and associates) in Shares of the Company at the date of this Prospectus are as follows:

Director	Ordinary Shares
Kevin Slaven	4,612,378
Michael Hannan	4,431,527,599
Dhun Karai	2,641,638
Andrew McMaster	Nil

As at the date of this Prospectus, Michael Hannan, being a member of the Hannan Family, has a relevant interest in the Company of 50.7%.

The Directors will not participate in the Offer.

6.4 Directors remuneration

The following table shows the total annual remuneration paid (or to be paid) to Directors of the Company (which includes cash salary as well as accrued annual leave entitlements, and includes statutory superannuation).

Director	Remuneration (per annum including superannuation)
Michael Hannan	\$62,188
Kevin Slaven	\$600,435

Dhun Karai	\$101,511
Andrew McMaster	\$106,980

Notes: The above reflects the annual remuneration paid to each director for the financial year ending 30 June 2020.

6.5 Market price of Shares

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

The highest, lowest and last market sale prices of Shares on ASX during the three months immediately preceding the date of this Prospectus and the most recent dates of those sales are set out below.

DESCRIPTION	DATE	PRICE
High	24 December 2020	\$0.015
Low	12 March 2021	\$0.005
Last	18 March 2021	\$0.006

6.6 Details of substantial holders

Based on the Company's knowledge as at the date of this Prospectus, the following table sets out those persons which directly or together with their associates, have or will have a relevant interest of 5% or more of the Shares on issue as at the date of this Prospectus.

Holder	Number of Shares held ¹	Percentage
Hannan Family ²	5,286,527,599	43.3%
Are Media Pty Ltd	2,000,000,000	16.4%

Notes: 1. Number of Shares held incorporates the Shares to be issued under the Equity Conversion.

2. the Hannan Family comprises Michael Hannan, James Hannan, Lindsay Hannan, Sayman Pty Ltd as trustee for the Lindsay Hannan Family Trust, Richard O'Connor, Adrian O'Connor, Rathdrum Properties Pty Limited as trustee for the Rathdrum Property Trust and Wicklow Properties Pty Limited.

6.7 Related party transactions

There are no material related party transactions that have been entered into by the Company that have not been the subject of ASX announcements or otherwise disclosed in this Prospectus.

The Company believes that it has made appropriate disclosure of past related party transactions and does not intend to make any further disclosure of such transactions.

6.8 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

- promoter of the Company; or
- underwriter to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held in the 2 years before the date of lodgement of this Prospectus with ASIC, any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer or the Offer itself; or
- the Offer.

6.9 **Broker handling fees**

No handling fees are payable in connection with the Offer under this Prospectus.

6.10 **CHESS**

The Company will not be issuing certificates for the New Shares the subject of the Offer under this Prospectus. The Company is a participant in the Clearing House Electronic Sub-Register System (**CHESS**), for those investors who have, or wish to have, a sponsoring broker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Investors will be provided with a statement that sets out the number of New Shares allotted to them under this Prospectus. The statement will also advise holders of their holder identification number or security holder reference number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

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

6.11 **Taxation**

The Directors do not consider that it is appropriate to provide investors with advice regarding the taxation consequences of accepting the Offer under this Prospectus. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to investors in respect of any issue.

6.12 **Privacy disclosure**

By filling out the Application Form you are providing personal information to the Company. The Corporations Act requires the Company to include information about each security holder in its public register. This information must remain in the register even if you cease to be a security holder in the Company.

The Company, and Computershare, on its behalf, may collect, hold and use that personal information in order to process your Application Form, facilitate dividend payments and corporate communications and ensure compliance by the Company with legal and regulatory requirements. Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

If you do not provide the information requested in the Application Form, the Company and Computershare may not be able to process or accept your application.

7. **DIRECTORS' AUTHORISATION**

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

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

This Prospectus is signed for and on behalf of the Company by:

A handwritten signature in black ink, appearing to read 'Kevin Slaven', written in a cursive style.

Kevin Slaven
Managing Director
19 March 2021

8. **GLOSSARY**

\$ means Australian dollars.

Applicant means a person who submits an Application Form.

Application Form means the application form provided by the Company with a copy of this Prospectus.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange.

ASX Listing Rules means the listing rules of ASX.

ASX Settlement means ASX Settlement Pty Limited ACN 008 504 532.

ASX Settlement Operating Rules means the operating rules of ASX Settlement which govern the administration of CHESS.

Board means the board of Directors of the Company.

CHESS means ASX Clearing House Electronic Subregister System.

Closing Date means the closing date of the Offer as specified in the indicative timetable as varied from time to time.

Company means Ovato Limited ACN 050 148 644.

Constitution means the constitution of the Company.

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

Director means a director of the Company.

FY21 1H Report means the FY21 half year financial report of the Company.

Hannan Family means together Sayman Pty Ltd as trustee for the Lindsay Family Trust, Michael Hannan, James Hannan, Adrian O'Connor and Richard O'Connor.

New Shares means the Shares being offered under this Prospectus.

Official List means the official list of ASX.

Official Quotation means quotation of Shares on the Official List.

Opening Date means the opening date of the Offer as specified in the indicative timetable as varied from time to time.

Prospectus means this prospectus dated 19 March 2021.

Section means a section of this Prospectus.

Shares means a fully paid ordinary share in the Company (and includes a New Share offered under this Prospectus).

Shareholder means a holder of a Share.

Corporate Directory

Company

Ovato Limited ACN 050 148 644

Directors

Michael Hannan – Non-Executive Chairman

Dhun Karai – Non-Executive Director

Andrew McMaster – Non-Executive Director

Kevin Slaven – Chief Executive Officer,
Managing Director

Company Secretary

Alistair Clarkson

Registered Offices

Level 4, 60 Union Street
Pyrmont NSW 2009

Website

<https://www.ovato.com.au/>

Share Registry

Computershare Investor Services Pty Limited

Within Australia: 1300 556 161

Outside Australia: +61 3 9415 4000

Investor Centre contact details:

www.investorcentre/contact

ASX Code: OVT