

7 May 2020

FUNDING PACKAGE TO STRENGTHEN BALANCE SHEET AND POSITION FOR RECOVERY AND GROWTH

Highlights

- Underwritten \$5.07 million accelerated renounceable pro rata entitlement offer
- Irrevocable undertaking from major shareholder to subscribe for its rights
- All eligible directors and CEO intend to subscribe for their full rights
- Westpac's \$2.0 million short term loan to be extended beyond May for a period that reflects trading conditions and liquidity requirements
- April revenue was \$1.9 million higher than the amount expected at the start of April due to orders received in late April. Stronger April revenue has improved the Company's access to working capital funding through its trade finance facility

Cellnet is pleased to announce a package of funding initiatives designed to strengthen its balance sheet, provide working capital, enhance its liquidity position and position the Company for recovery and growth when the COVID-19 pandemic eases.

Cellnet will conduct an equity raising of \$5.07 million (before offer costs) under an underwritten accelerated 2.7 for 1 renounceable entitlement offer at an issue price of \$0.03 per new share (**Entitlement Offer**). The net proceeds raised under the Entitlement Offer comprises the equity component of Cellnet's funding strategy.

The additional equity will strengthen Cellnet's balance sheet and support the additional debt facilities provided by Cellnet's senior lender, Westpac.

The net proceeds will be applied towards inventory purchases, general working capital and offer costs.

Westpac intends to extend its \$2.0 million short term loan for a period that is reasonably required to support trading conditions and liquidity requirements and to structure repayments to reflect currently anticipated trading conditions in 1HFY21.

These initiatives will significantly enhance the Company's liquidity during the COVID-19 pandemic period, complement the previously announced cost reduction and cash preservation initiatives implemented by the Company and position the Company for recovery and growth when the pandemic eases and the economy recovers.

Cellnet is also pleased to advise that its April revenue was \$1.9 million higher than the amount expected at the start of April due to orders received in late April. This will reduce the Group's funding requirements and further improve Cellnet's access to working capital funding through the Company's trade finance facility. This outcome was assisted by Cellnet remaining operational in Australia during April and by continued demand from its retail partners, particularly for home office products.

The combination of these initiatives will assist Cellnet trade through an extended period of uncertainty and disruption if necessary and continue to deliver in full and reliably to its retail, telco and trade customers.

CEO Alan Sparks said “I am grateful for the support and faith our shareholders, staff, customers and suppliers have shown Cellnet through this unprecedented and extremely challenging time. I am enthusiastic about the possibilities that will undoubtedly be available to Cellnet as the economy recovers, as the Group is well positioned in the ANZ market. This capital injection strengthens the capital base of Cellnet to withstand further shocks and be able to continue to grow as we emerge from the pandemic and economic aftershocks.”

Chairman Michael Wendt said “By supporting the Entitlement Offer Wentronic is demonstrating its faith in Cellnet and placing the Company in a strong position to capitalise on opportunities that may present to us. I wish to express my gratitude to the Directors, management and staff of Cellnet for helping the Company navigate the COVID-19 pandemic so far.”

Prior to the onset of the COVID-19 crisis, Cellnet had taken steps to re-position the business for growth by:

- Reducing its overhead costs and capturing interdivisional efficiencies;
- upgrading its supply chain capability and efficiency with the appointment of Sony DADC as its 3PL provider in Australia thereby improving delivery times, accuracy and further reducing warehouse and delivery costs;
- acquiring Turn Left Distribution (gaming market) and Powerguard (power protection market) to diversify Cellnet's exposure to individual market segments and reduce its overall market risk; and
- transitioning into the e-commerce environment.

Entitlement Offer

The Entitlement Offer will provide eligible shareholders with the opportunity to subscribe for 2.7 new shares (**New Shares**) for every 1 share held at 7pm (Sydney time) on Monday, 11 May 2020 (**Record Date**) at an offer price of \$0.03 per New Share.

The offer price of \$0.03 per New Share represents a significant discount to the closing price of Shares on 30 April 2020, the last trading day before the Entitlement Offer was announced, of \$0.11 per Share.

The Entitlement Offer comprises:

- an institutional entitlement offer to raise approximately \$2.73 million (**Institutional Entitlement Offer**); and
- a fully underwritten retail entitlement offer to raise approximately \$2.34 million (**Retail Entitlement Offer**).

Approximately 169,006,760 million new Cellnet shares will be offered under the Entitlement Offer. Each New Share issued under the Entitlement Offer will rank equally with existing shares on issue.

Thundering Herd Pty Ltd is the underwriter to the Retail Entitlement Offer. Annexed to this announcement is a summary of significant events that could lead to the underwriting agreement being terminated (as required by item 3F.2d of Appendix 3B).

Institutional Entitlement Offer

The Company's largest shareholder, Wentronic Holding GmbH (**Wentronic**) and its associates including Chairman Mr Michael Wendt, have committed to taking up their full entitlements under the Institutional Entitlement Offer.

The Company's shares will remain in suspension pending completion of the Institutional Entitlement Offer expected to occur on Friday 8 May 2020.

Retail Entitlement Offer

Eligible retail shareholders with a registered address in Australia, New Zealand, Hong Kong and Germany will be invited to participate in the Retail Entitlement Offer at the same offer price and offer ratio as the Institutional Entitlement Offer.

The Retail Entitlement Offer will open on Friday, 15 May 2020 and close at 5.00pm (Sydney time) on Friday, 29 May 2020. Further details about the Retail Entitlement Offer will be set out in the retail entitlement offer booklet, which the Company expects to lodge with the ASX and despatch on Friday, 15 May 2020.

Key dates

Announcement of Entitlement Offer and suspension of trading	Thursday, 7 May 2020
Institutional Entitlement Offer opens	Thursday, 7 May 2020
Institutional Entitlement Offer closes	4.00pm Friday, 8 May 2020
Institutional Entitlement Offer – outcome announced	Monday, 11 May 2020
Suspension lifted (pre-open)	
Retail Entitlement trading - commences on a deferred settlement basis	
Record Date to determine Retail Entitlements	7pm (Sydney time) on Monday, 11 May 2020
Institutional Entitlement Offer - settlement	
Institutional Entitlement Offer - issue of New Shares	Tuesday, 12 May 2020
Retail Entitlement Offer - Despatch of Retail Entitlement Offer Booklet and Retail Entitlement and Acceptance Form to Eligible Retail Shareholders	Friday, 15 May 2020
Retail Entitlement Offer - opening date	Friday, 15 May 2020
Retail Entitlement trading - ends at the close of trading	Friday, 22 May 2020
Retail Entitlement Offer Closing Date — last date for lodgement of Entitlement and Acceptance Form and payment of Application Money	5pm (Sydney time) on Friday, 29 May 2020
Retail Entitlement Offer - announcement of results and announcement of shortfall (if any)	Wednesday, 3 June 2020
Retail Entitlement Offer - settlement of New Shares	Thursday, 4 June 2020
Retail Entitlement Offer - issue of New Shares	Friday, 5 June 2020
Holding statements for New Shares expected to be despatched	Tuesday, 9 June 2020
Normal trading of New Shares expected to commence on ASX	

**All dates and times are indicative only and subject to change. The Company reserves the right to withdraw the Entitlement Offer or amend all or any of these dates and times without notice, subject to the Corporations Act 2001 (Cth), the ASX Listing Rules and other applicable laws.*

For further information, please contact Chris Barnes, Executive Director, on 1300 235 563. Authorised for release by the Board of Cellnet.

ENDS

IMPORTANT - This announcement may not be released or distributed in the United States. This announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The new shares to be offered or sold in the Entitlement Offer have not been, and will not be, registered under the US Securities Act of 1933 (**US Securities Act**) or the securities laws of any state or other jurisdiction of the United States, and may not be sold, directly or indirectly, in the United States unless they are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state security laws.

Annexure – Summary of the significant events that could lead to the underwriting being terminated (as required by item 3F.2d of Appendix 3B)

The Underwriter's obligations under the underwriting agreement, including to underwrite the Retail Entitlement Offer, are conditional on certain matters, including (but not limited to) ASX granting any applicable waivers and Cellnet Group Limited (**Company**) completing the institutional offer.

If certain conditions are not satisfied or certain events occur, the Underwriter may terminate the underwriting agreement. The events that may trigger termination of the underwriting agreement at any time before 5 June 2020 include (but are not limited to) the following:

- (a) at the close of business on any trading day from (and including) the announcement date (7 May 2020) to (and including) the shortfall settlement date (4 June 2020), the S&P/ASX 200 Index is at a level that is 10% or more below its level as at the close of business on the trading day immediately prior to the date of the underwriting agreement (6 May 2020) and remains at or below that level for at least two consecutive trading days or the closing price of the Company's shares falls below \$0.03 at any time after the date of the underwriting agreement (7 May 2020) for two consecutive trading days;
- (b) the Company is prevented from allotting the Entitlement Offer shares within the time required by the underwriting agreement, the Corporations Act, the Listing Rules, any statute, regulation or order of a court of competent jurisdiction by ASIC, ASX or any court of competent jurisdiction or any governmental or semi-governmental agency or authority;
- (c) the Company does not lodge (i) a cleansing notice pursuant to section 708AA of the Corporations Act (Cleansing Notice); (ii) all announcements required to be released to the ASX in connection with the Entitlement Offer; (iii) the Retail Entitlement Offer Booklet; and (iv) any supplementary or replacement disclosure document (together the Offer Material) on the relevant dates specified in the timetable, except where the timetable has been varied in accordance with the underwriter's agreement;
- (d) a material statement in the Offer Material is misleading or deceptive in a material respect or the Cleansing Notice is defective (as that term is defined in section 708AA(11) of the Corporations Act);
- (e) any adverse change or disruption occurs in the existing political or economic conditions of Australia, the United Kingdom, the European Union, United States or in the international financial markets or any adverse change occurs in national or international political, financial or economic conditions, in each case the effect of which is that, in the reasonable opinion of the Underwriter, it is impracticable to market the Entitlement Offer or to enforce contracts to issue and allot the Offer Shares or that the success of the Entitlement Offer is likely to be adversely affected;
- (f) there is introduced, or there is a public announcement of a proposal to introduce, into any Federal, State or Territory Parliament in Australia a new law or the Reserve Bank of Australia, or any Commonwealth or State authority or ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced prior to the date of this agreement) any of which does or is likely to prohibit or regulate the Entitlement Offer, capital markets or stock markets;
- (g) quotation approval for the Entitlement Offer shares is refused or not granted, other than subject to customary conditions, on or before the allotment and issue of all Entitlement Offer shares or, if granted is subsequently withdrawn or qualified;
- (h) ASX or ASIC withdraws or revokes any applicable ASX waivers or ASIC modifications (if required);
- (i) the Company is removed from the official list of ASX or ASX suspends the Company's shares from quotation (which for the avoidance of doubt, does not include a trading halt or voluntary suspension) and that suspension is not lifted within 24 hours following such suspension;
- (j) there is any other breach by the Company of its obligations under the underwriting agreement, which is either incapable of remedy or, if able to be remedied, is not remedied within five business days;
- (k) the Company fails to comply with its Constitution, the Corporations Act or any other applicable law or regulation, including any policy, guideline, order or request made or issued by the ASIC or any government agency;
- (l) the Company fails to comply with a material contract or any such contract is either terminated or materially amended without the prior written approval of the Underwriter (such approval not to be unreasonably withheld or delayed);
- (m) prior to completion (5 June 2020), the Company changes its capital structure or its Constitution without the prior written consent of the Underwriter;
- (n) the Company passes or takes any steps to pass a resolution under section 260B of the Corporations Act or engages in any conduct which would require such a resolution, without the prior written consent of the Underwriter;
- (o) without the prior written consent of the Underwriter, the Company disposes or agrees to dispose of the whole or a substantial part of its business or assets or ceases or threatens to cease to carry on its business in its normal and usual manner;

- (p) hostilities not presently existing commence (whether war has been declared or not) or a material escalation in existing hostilities occurs (whether war has been declared or not) or political or civil unrest involving any one or more of Australia, New Zealand, the United States of America, the United Kingdom, any member state of the European Union, or a major terrorist act is perpetrated on any of those countries;
- (q) any actual or potential adverse change occurs in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company from those disclosed in the Offer Materials or to ASX before the opening date of the Entitlement Offer (15 May 2020), including any (i) change in the earnings, future prospects or forecasts of the Company; (ii) change in the nature of the business conducted by the Company; or (iii) insolvency (within the meaning of the Corporations Act) or deemed insolvency under the Corporations Act, voluntary winding up of the Company or the appointment of any receiver, receiver and manager, liquidator or other external administrator;
- (r) any new circumstance arises since the Offer Materials were issued that would, in the reasonable opinion of the Underwriter, have been required to be included in the Offer Materials if it had arisen before the Offer Materials were issued;
- (s) a material statement contained in the Offer Materials is misleading or deceptive or likely to mislead or deceive in a material respect or that there is an omission from the Offer Material or if any statement in the Offer Material becomes misleading or deceptive or likely to mislead or deceive or if the issue of the Offer Material is or becomes misleading or deceptive or likely to mislead or deceive;
- (t) any representation, warranty or undertaking given by the Company in this agreement is or becomes untrue or incorrect or without the prior approval of the Underwriter (such approval not to be unreasonably withheld or delayed) a public statement is made by the Company in relation to the Entitlement Offer or the Offer Material;
- (u) any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Entitlement Offer or the affairs of the Company is or becomes misleading or deceptive or likely to mislead or deceive or any authorisation which is material to anything referred to in the Offer Material is repealed, revoked or terminated or expires, or is modified or amended in a manner unacceptable to the Underwriter;
- (v) a prescribed occurrence occurs (including but not limited to a share split of the Company's shares; capital reduction; issue of convertible notes; the company agreeing to charge a substantial part of the business; the Company executing a deed of arrangement; the Company granting an option to subscribe for shares) or an insolvency event occurs in respect of the Company;
- (w) a judgment in an amount exceeding \$250,000 is obtained against the Company and is not set aside or satisfied within five business days;
- (x) there is a material change in the major or controlling shareholdings of the Company or a takeover offer or scheme of arrangement pursuant to Chapter 5 or 6 of the Corporations Act is publicly announced in relation to the Company;
- (y) a force majeure (including but not limited to any act of God, war, revolution, industrial dispute, governmental restraint, or any other event outside the control of the parties) except the COVID-19 pandemic, affecting the Company's business or any obligation under the agreement lasting in excess of five business days occurs;
- (z) any person is appointed under any legislation in respect of companies to investigate the affairs of the Company and such investigation has not been withdrawn prior to Completion;
- (aa) all shares issued pursuant to the Entitlement Offer and in accordance with the terms of this agreement do not, from the date of allotment, rank equally in all respects with other fully paid ordinary shares in the Company or if they are not issued free of all encumbrances;
- (bb) the institution shareholder (Wentronic Holding GmbH, Michael Wendt and JP Morgan Nominees Australia Pty Ltd in its capacity as nominee of Wentronic Holding GmbH) withdraws its acceptance of the institutional component of the Entitlement Offer or the Company withdraws the Entitlement Offer;
- (cc) a change in the Board of Directors or Chief Executive Officer of the Company occurs without the prior written consent of the Underwriter (such consent not to be unreasonably withheld or delayed);
- (dd) any of the following occurs (i) a Director is charged with an indictable offence; (ii) the commencement or threatening of legal proceedings which has a material adverse effect against the Company or any Director; or (iii) any Director is disqualified from managing a corporation under section 206A of the Corporations Act; or
- (ee) an event specified in the timetable is delayed for more than five business days, except where the timetable has been varied in accordance with the underwriter's agreement.