



ASX RELEASE

Company Announcement
Australian Securities Exchange

By Electronic Lodgement

18 June 2019

Recommended merger by way of a scrip-for-scrip offer by Clime Capital Limited

CBG Capital Limited ACN 168 936 249 (ASX: CBC) (**CBG**) is pleased to announce that it has received a proposal from Clime Capital Limited ACN 106 282 777 (ASX: CAM) (**CAM**) under which it is proposed that CAM will merge with CBG (**Proposal**). The proposed merger would be effected by a scrip-for-scrip off-market conditional takeover bid for all of the issued shares of CBG that CAM does not presently own (the **Offer**). A copy of the Proposal received from CAM is attached to this announcement.

Highlights

- Under the Offer, CBG shareholders would receive:
 - 0.8441 fully paid ordinary shares in CAM (**CAM Shares**); plus
 - 0.2740 listed convertible notes issued by CAM (ASX:CAMG) (**CAM Notes**),for every CBG share.
- The CBG Board has established an independent board committee comprising James Beecher and Peter Velez (**Independent Directors**) to consider the Proposal.
- The Independent Directors unanimously recommend that CBG shareholders accept the Offer in the absence of a superior proposal and subject to receipt of an independent expert's report acceptable to the Independent Directors.
- All directors of CBG intend to accept the Offer in respect of all CBG shares in which they have a relevant interest, in the absence of a superior proposal and subject to receipt of an independent expert's report acceptable to the Independent Directors.

Independent Directors James Beecher and Peter Velez said today: *"We welcome the Offer provided by Clime Capital Limited. While CBG's performance since listing has been very pleasing, the company's scale has had an effect on trading in its shares on ASX. The Offer provides an opportunity for CBG shareholders to receive the benefits of an increase in scale with potentially greater investor interest and higher liquidity levels. The blended consideration of CAM Shares and CAM Notes also provides CBG shareholders with more flexibility as well as the benefits of an attractive yield through both franked dividends and interest."*

The Independent Directors also said: *"In assessing the Clime Proposal, we compared the benefits of the Offer to a wind up of CBG and return of capital to shareholders and determined that the Proposal is more attractive. Using a CAM Share price of \$0.90 (the closing price on Thursday 13 June 2019 being the day prior to release of the 31 May 2019 NTA for CAM), the implied value of the Offer equates to the post-tax NTA of CBG as at 31 May 2019."*

Details of the Offer

Under the Offer, CBG shareholders would receive 0.8441 CAM Shares plus 0.2740 CAM Notes for every CBG share.

The CAM Shares will be issued on the same terms as existing CAM Shares and rank equally from the date of issue. The CAM Notes will be issued on the same terms as the existing CAM Notes and at face value of \$0.96 per CAM Note. The CAM Notes have an interest coupon of 6.25% per annum, paid quarterly (no franking), and are convertible into CAM Shares at the option of the holder at any time at a ratio of 1.025 CAM Shares for each CAM Note.¹

The Proposal constitutes a proposal to make a takeover bid for the purposes of section 631 of the *Corporations Act 2001 (Cth)* (**Corporations Act**).

Conditions of the Offer

The Offer is subject to a number of conditions, including, among other things:

- minimum acceptance condition of 50.1%;
- the S&P/ASX 200 Index not closing at a level that is 10% or more below the level on the trading day immediately prior to the date of the CAM bidder's statement and remaining at or below that level for at least three consecutive trading days; and
- no prescribed occurrences occurring. These encompass the statutory events in sections 652C(1) and (2) of the Corporations Act as well as other agreed events, including CBG making or declaring, or announcing an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie) or incurring any debt.

A complete list of the conditions is included in the Schedule to the Proposal attached to this announcement.

Independent Board Committee

CBG's Executive Chairman, Ronni Chalmers is associated with both the investment managers of CAM and CBG. Accordingly, an independent CBG Board committee comprising the Independent Directors, James Beecher and Peter Velez, was formed to engage with CAM, consider the Proposal and manage all matters ancillary to, or in connection with, the Offer.

Unanimous Recommendation by the Independent Directors

The Independent Directors have carefully considered the Proposal and unanimously recommend that CBG shareholders should accept the Offer in respect of all of their CBG shares in the absence of a superior proposal and subject to receipt of an independent expert's report acceptable to the Independent Directors.

CBG is in the process of engaging an independent expert to report on whether the Offer is fair and reasonable to CBG shareholders other than CAM and its associates. The independent expert's report will be included in the target's statement to be distributed to CBG shareholders in due course.

¹ Adjusted from an initial 1:1 basis in accordance with clause 4.7 of the terms of the CAM Notes as a result of a bonus issue of CAM Shares undertaken in September 2018

Directors' intentions

All directors of CBG intend to accept the Offer in respect of all CBG shares in which they have a relevant interest, in the absence of a superior proposal and subject to receipt of an independent expert's report acceptable to the Independent Directors. The directors will update CBG shareholders if there are any changes to these present intentions.

CAM

CAM is a listed investment company that is managed by a wholly-owned subsidiary of Clime Investment Management Limited. CAM and CBG have very similar management arrangements and investment mandates, and approximately 80% of the portfolios of CAM and CBG are the same or extremely similar

Next steps

CBG shareholders do not currently need to take any action in relation to the Offer.

Detailed information in relation to the Offer will be set out in a bidder's statement and target's statement, each of which will be lodged with the ASX, the Australian Securities & Investments Commission and sent to CBG shareholders as soon as practicable. CBG shareholders should consult their stockbroker, accountant, tax, financial or other professional adviser about the impact of the Offer on their particular investment objectives.

CBG will advise its shareholders of any further relevant developments as they occur.

Legal adviser

CBG has retained Maddocks as legal adviser in respect of the Offer.

Contact

Enquiries regarding the Offer should be directed to James Beecher or Peter Velez, independent non-executive directors who can be reached at 1300 788 568.

If you have any questions regarding the Company or its investments, please call Ronni Chalmers on 1300 788 568.

Peter Velez
Independent Director
CBG Capital Limited

James Beecher
Independent Director
CBG Capital Limited

17 June 2019

Mr Peter Velez
Independent Director
CBG Capital Limited
Level 7, 1 Market Street
Sydney NSW 2000

By email: peter@oblaw.net.au

Dear Peter

Binding Proposal for CBG Capital Limited

On behalf of Clime Capital Limited (**we** or **CAM**), I am pleased to submit this binding proposal (**Proposal**) to acquire all of the shares in CBG Capital Limited (**CBG**) not currently owned by CAM.

Proposal

Compelling proposal

Our Proposal represents a compelling opportunity for CBG shareholders. Key elements include:

- an increase in the scale of CBG on a stand-alone basis;
- a reduced management expense ratio arising from economies of scale, and the removal of duplicated costs and expenses¹;
- a higher dividend yield;
- an increase in liquidity due to the larger capital and shareholder base;
- demonstration of a clear path to growth for shareholders; and
- the potential to narrow the discount to NTA in CAM's share price given the benefits flowing from the above.

Consideration

Under our Proposal, CBG shareholders will receive offer consideration of:

- 0.8441 fully paid ordinary shares in CAM (**CAM Shares**); plus
- 0.2740 listed convertible notes issued by CAM (ASX:CAMG) (**CAM Notes**),

¹ Estimated to be approximately \$200,000 per annum.

Clime Capital Limited

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per CBG share. CAM Shares would be issued on the same terms as existing CAM Shares and rank equally from the date of issue. The CAM Notes would be issued on the same terms as the existing CAM Notes and at face value of \$0.96 per CAM Note. The CAM Notes have an interest coupon of 6.25%, paid quarterly (no franking), and are convertible into CAM Shares at the option of the holder at any time at a ratio of 1.025 CAM Shares for each CAM Note.²

Based on the 5-day VWAP of CAM Shares and CAM Notes up to 14 June 2019 (of \$0.8995 and \$1.001, respectively), the implied offer value under our Proposal is \$1.0336 per CBG share, which represents the following premia to recent trading prices of CBG shares:

- 10.5% to the last close of \$0.9350³
- 12.1% to the 10-day VWAP of \$0.9219⁴
- 10.0% to the 30-day VWAP of \$0.9400⁵
- 6.3% to the 60-day VWAP of \$0.9721⁶

To the extent that implementation of the Proposal results in any CBG shareholders holding an unmarketable parcel of securities (i.e. CAM Shares or CAM Notes with a value of less than \$500), CAM is willing to put in place appropriate measures such as a sale facility to allow these securities to be traded by an appointed broker (with no transaction costs) with the relevant CBG shareholders receiving the cash proceeds.

Impact on capital structure

The following table sets out the capital structure of CAM currently and assuming it successfully completes the acquisition of all CBG shares under the Proposal.

	Current	Issued under Proposal⁷	Pro forma
CAM Shares	91,720,037	21,775,882	113,495,919
CAM Notes	22,280,162	7,068,584	29,348,746

As can be seen, in those circumstances CBG shareholders (excluding CAM) would hold approximately 19.2% of the CAM Shares and 24.1% of the CAM Notes.

Transaction structure

CAM proposes to implement the transaction through an off-market takeover offer.

Conditions

This Proposal has been approved by our Board and does not require any regulatory approvals.

² Adjusted from an initial 1:1 basis in accordance with clause 4.7 of the terms of the CAM Notes as a result of a bonus issue of CAM Shares undertaken in September 2018

³ As at 14 June 2019

⁴ From 3 June to 14 June 2019

⁵ From 6 May to 14 June 2019

⁶ From 25 March to 14 June 2019

⁷ Subject to rounding of entitlements

The Proposal is however subject to the following conditions:

- the unanimous recommendation of the CBG's independent directors;
- a minimum acceptance condition of 50.1%;
- no prescribed occurrences occurring. These would encompass the statutory events in sections 652C(1) and (2) of the Corporations Act as well as other agreed events, including CBG making or declaring, or announcing an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie) or incurring any financial indebtedness (or issuing any debt securities);
- the S&P/ASX 200 Index not closing for three consecutive days at a level that is 10% or more below the level on the trading day immediately prior to the date of the CAM bidder's statement;
- the investment management agreement of CBG is not terminated, amended or assigned and no proposal to terminate, amend or assign the investment management agreement of CBG is made; and
- no regulatory action being taken which may prevent the transaction proceeding.

The above is a summary only – a full copy of the conditions is set out in the schedule to this letter.

Our Proposal assumes:

- CBG's issued securities comprise 26,189,170 fully paid ordinary shares; and
- there are no options over unissued shares or other securities that may convert into shares in CBG on issue.

Binding proposal

This Proposal constitutes a proposal to make a takeover bid for the purposes of section 631 of the Corporations Act 2001 (Cth).

CAM contact

Any questions concerning this Proposal may be directed to:

John Abernethy
Chairman
Clime Capital Limited
0417 386 639
JAbernethy@clime.com.au

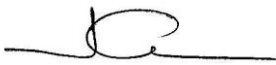
Next steps

CAM considers the potential transaction outlined in this Proposal to be a compelling opportunity for CAM, CBG and CBG's shareholders.

CAM is confident that, subject to the conditions and assumptions outlined in this letter, CAM and CBG can move forward swiftly and would welcome the opportunity to negotiate a binding arrangement to be considered by the shareholders of CBG.

We look forward to discussing our Proposal with you at your earliest convenience.

Yours sincerely,

A handwritten signature in black ink, appearing to be "John Abernethy".

John Abernethy
Chairman
Clime Capital Limited

Schedule

Terms and Conditions of the Offer

1. Consideration

1.1. The consideration under the Offer will be:

(a) 0.8441 CAM Shares; plus

(b) 0.2740 CAM Notes,

per CBG Share.

1.2. If you accept the Offer and are entitled to receive a fraction of CAM Share or a CAM Note that fractional entitlement will:

(a) if less than 0.5, be rounded down to zero; and

(b) otherwise, be rounded up to one CAM Share or CAM Note (as applicable).

1.3. If CAM reasonably believes that you have manipulated your holding of CBG Shares to take advantage of rounding up, then any fractional entitlement will be aggregated or rounded down to the next whole number of CAM Shares or CAM Notes (as applicable).

1.4. The CAM Shares issued under the Offer will be issued by CAM fully paid and will rank equally with existing CAM Shares from the date of issue.

1.5. The CAM Notes issued under the Offer will be issued by CAM fully paid and will rank equally with existing CAM Note from the date of issue.

2. Conditions

2.1. The Offer and the contract that results from acceptance of the Offer are each subject to the fulfilment of the following conditions:

(a) **minimum acceptance condition:** during, or at the end of the Offer Period, CAM has Relevant Interests in at least 50.1% of the CBG Shares;

(b) **no change in investment management arrangements:** between the Announcement Date and the end of the Offer Period (each inclusive), the Investment Management Agreement is not terminated, amended or assigned, and no proposal to terminate, amend or assign the Investment Management Agreement is made (in each case, other than by or to CAM or its Associates);

(c) **market fall:** the S&P/ASX 200 Index not closing on a trading day during the Offer Period at a level that is 10% or more below the level on the trading day immediately prior to the date of the Bidder's Statement and remaining at or below that level for at least 3 consecutive trading days;

(d) **no regulatory intervention:** during the period from the Announcement Date to the end of the Offer Period (each inclusive):

(i) no preliminary or final decision, order or decree is made or issued;

(ii) no action, proceeding or investigation is announced, commenced or threatened; and

(iii) no application is made (other than by CAM or its Associates),

by or to any regulatory organisation or Governmental Agency which is likely to or threatens to restrain, prohibit, impede or otherwise materially adversely affect the making of the Offer, the acquisition of the CBG Shares by CAM, the rights of CAM in respect of CBG and the CBG Shares or the continued operation of the businesses of CBG or its subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act);

(e) **no prescribed occurrences:** during the period from the date on which the Bidder's Statement is given to CBG and the end of the Offer Period (each inclusive), none of the following events occur:

- (i) CBG converts all or any of its shares into a larger or smaller number of shares;
- (ii) CBG or a subsidiary of CBG resolves to reduce its share capital in any way;
- (iii) CBG or a subsidiary of CBG:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under sections 257C or 257D of the Corporations Act;
- (iv) CBG or a subsidiary of CBG issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (v) CBG or a subsidiary of CBG issues, or agrees to issue, convertible notes;
- (vi) CBG or a subsidiary of CBG disposes, or agrees to dispose, of the whole or a substantial part of its business or property;
- (vii) CBG or a subsidiary grants, or agrees to grant, a security interest over the whole or a substantial part of its business or property;
- (viii) CBG or a subsidiary resolves to be wound up;
- (ix) a liquidator or provisional liquidator of CBG or of a subsidiary is appointed;
- (x) a court makes an order for the winding up of CBG or of a subsidiary;
- (xi) an administrator of CBG, or of a subsidiary, is appointed under sections 436A, 436B or 436C of the Corporations Act;
- (xii) CBG or a subsidiary executes a deed of company arrangement;
- (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of CBG or of a subsidiary;
- (xiv) CBG makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie); and
- (xv) CBG or a subsidiary of CBG incurs any financial indebtedness or issues any debt securities, other than in the ordinary course of business; and

- (f) **no prescribed occurrences between Announcement Date and date of Bidder's Statement:** during the period beginning on the Announcement Date and ending on the day before the Bidder's Statement is given to CBG (each inclusive), none of the events listed in sub-paragraphs (i) to (xv) of paragraph 2.1(e) occur.

3. Definitions

Announcement Date means the date of announcement of CAM's intention to make the Offer on ASX.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the market it administers being Australian Securities Exchange (as the context requires).

Bidder's Statement means the bidder's statement to be prepared in relation to the Offer and includes any supplementary or replacement bidder's statement.

CAM means Clime Capital Limited.

CAM Notes means listed convertible notes issued by CAM (ASX:CAMG).

CAM Shareholder means a person who is the registered holder of one or more CAM Shares.

CAM Shares means fully paid ordinary shares in CAM.

CBG means CBG Capital Limited.

CBG Shares means fully paid ordinary shares in CBG.

CBG Shareholder means a person who is the registered holder of one or more CBG Shares.

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

Governmental Agency means any government, semi-government, administrative, fiscal, judicial or regulatory body, department, commission, authority, tribunal, agency or entity.

Investment Management Agreement means the investment management agreement between CBG and the Manager dated 17 September 2014.

Listing Rules means the listing rules of ASX.

Manager means CBG Asset Management Limited.

Offer means an off-market takeover offer to be made by CAM under Chapter 6 of the Corporations Act to acquire all of the CBG Shares not owned by CAM, including as varied or extended in accordance with the Corporations Act.

Offer Period means the period during which the Offer remains open for acceptance by CBG Shareholders.

Relevant Interest has the same meaning given to that term in sections 608 and 609 of the Corporations Act.

Takeovers Panel means the Australian Government Takeovers Panel.