

ASX release

6 July 2018

LETTER TO SHAREHOLDERS

Please find attached a copy of the letter which is being sent to shareholders regarding the non-renounceable rights issue announced today.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Jack Sciara
Company Secretary
Desane Group Holdings Limited
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ABOUT DESANE:

Desane Group Holdings Limited is a property investment and development business based in Sydney, with expertise in property acquisitions, investment, management, leasing, sales and development of industrial, commercial and residential properties. Desane has a disciplined “add value” property acquisition approach, which will deliver maximum shareholder value in the medium to long term.

6 July 2018

Dear Shareholder

NON-RENOUCEABLE RIGHTS ISSUE – NOTICE TO SHAREHOLDERS

Desane Group Holdings Limited ACN 003 184 932 (**Desane**) announced today it would undertake a non-renounceable pro rata rights issue under which shareholders registered as such at 7pm on Wednesday, 11 July 2018 (**Record Date**) would have the right to subscribe for 1 new fully paid ordinary share (**New Share**) for every 10 fully paid ordinary shares (**Shares**) at an issue price of \$1.05 per New Share (the **Offer**). Approximately 3,719,090 New Shares will be offered to eligible shareholders under the Offer to raise approximately \$3.9 million before costs. The Offer is fully underwritten by Taylor Collison Limited (the **Underwriter**).

The Offer will be offered to all shareholders with registered addresses in Australia and New Zealand (**Eligible Shareholders**) who hold Shares at the Record Date. Fractional entitlements will be rounded up to the nearest whole number of New Shares. New Shares will rank equally with all Shares already on issue and will be entitled to any final dividend to be paid in respect of the 2018 financial year, expected to be announced with the release of Desane's 2018 audited results in August 2018. In the absence of unforeseen circumstances, the final dividend is expected to be 2.25 cents per Share fully franked.

Desane will apply to the ASX for quotation of the New Shares.

New Share entitlements not taken up by Eligible Shareholders will be acquired by the Underwriter and will not be offered to Eligible Shareholders.

The Offer price of \$1.05 per Share represents a discount of:

- 15.7% to the closing price of Company's Shares on 5 July 2018 (the last trading day prior to the printing of the Offer documents) which was \$1.245; and
- 14.4% to the theoretical ex-rights price (TERP¹) of \$1.227.

Following completion of the Offer, Desane will have approximately 40,909,990 Shares on issue. Trading in the New Shares is expected to commence on Wednesday, 8 August 2018.

The Offer is being made pursuant to an offer document and a notice issued pursuant to Section 708AA of the *Corporations Act 2001 (Cth.)* (**Corporations Act**), which are being lodged by Desane with ASX on or about 6 July 2018 and available on ASX's company announcement platform at www.asx.com.au and at www.desane.com.au.

Funds raised under this Offer will be used to:

- replenish the cash used for the acquisition and development of the residential project at 159 Allen Street, Leichhardt (approximately \$2.65 million);
- provide working capital for planning of the residential / mixed use development project at 91 Thornton Drive, Penrith (approximately \$1.0 million); and
- pay the costs of the Offer (approx \$0.25 million).

¹ The Theoretical Ex-Rights Price (TERP) is calculated by reference to Desane's closing price of \$1.245 per Share on 5 July 2018, being the last trading day prior to the announcement of the Offer. TERP is a theoretical calculation only and the actual price at which Desane Shares trade immediately after the ex-date of the Offer will depend on many factors and may not approximate TERP.

The proposed timetable for the Offer is as follows*:

Event	Date
Announcement of the Offer	Friday, 6 July 2018
Lodgement of Appendix 3B, Offer Document and Cleansing Notice with ASX	Friday, 6 July 2018
Dispatch notices to Shareholders informing them of the Offer	Monday, 9 July 2018
Shares quoted on ex-Entitlement basis	Tuesday, 10 July 2018
Record Date for determining Entitlements	7pm, Wednesday, 11 July 2018
Offer opens – dispatch of Offer Document and Acceptance Form	Monday, 16 July 2018
Last date to extend the Closing Date	Thursday, 26 July 2018
Closing Date	7pm, Tuesday, 31 July 2018
New Shares quoted on deferred settlement basis	Wednesday, 1 August 2018
Company notifies the ASX of under-subscriptions	Friday 3 August 2018
Allotment and issue of New Shares	Tuesday, 7 August 2018
Trading of New Shares on ASX expected to commence	Wednesday, 8 August 2018
Dispatch of holding statements	Friday, 10 August 2018

* *Dates are indicative only and are subject to change. Desane reserves the right, subject to the Listing Rules, to amend this indicative Timetable. For example, Desane reserves the right to extend the Closing Date, accept late Applications under the Offer (either generally or in particular cases) and to vary the Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the date for the issue of New Shares under the Offer. The last date to extend the Closing Date is Thursday, 26 July 2018. Desane will consult with the Underwriter in relation to any change to this indicative Timetable and any such change will require the consent of the Underwriter.*

The Directors reserve the right not to proceed with the Offer at any time prior to allotment and issue of the New Shares. In that event, any payments received for Applications will be returned in full without interest.

Eligible Shareholders registered on the Record Date will receive a copy of the Offer documents shortly, together with instructions on how and when to apply for New Shares under the Offer and a personalised Acceptance form specifying each Eligible Shareholder's entitlement. The Offer document will include full details of the Offer, the underwriting and the use of funds, and Eligible Shareholders should read it carefully.

If you require further information, please contact the Company Secretary, Jack Sciara on +61 2 9555 9922. Desane encourages all Eligible Shareholders to participate in the Offer.

Yours faithfully,



Jack Sciara
Company Secretary