

8 July 2015

The Manager
National Stock Exchange of Australia Limited

NSX RELEASE

Issuer: Heritage Brands Limited (NSX Code: HBA)

Rights issue cleansing notice under section 708AA(2)(f) of the Corporations Act

Heritage Brands Limited (**Heritage Brands** or the **Company**) announced on 16 June 2015 that it will undertake a non-renounceable rights issue of approximately 1,343,499,467 fully paid ordinary Heritage Brands shares (**Rights Issue**). Eligible shareholders will be entitled to subscribe for 2.9358 ordinary Heritage Brands shares (**New Shares**) for every 1 ordinary Heritage Brands share held at the Record Date, being 7.00 pm (Sydney time) on 2 July 2015 (**Record Date**), with each such share being issued at an issue price of \$0.0075 or 0.75 cents, to raise approximately \$10,076,246 (**Offer**).

Heritage Brands will offer the New Shares for issue without disclosure to investors under section 708AA(2)(f) of the Corporations Act 2001 (**Corporations Act**) as notionally modified by ASIC Class Order 08/35 (**CO 08/35**).

Further details regarding the Offer are set out in the offer document (the "**Offer Document**") that will be dispatched to shareholders.

Details of the securities issued

Class of securities:	Ordinary shares
NSX Code of the securities:	HBA
Date of the issue or expected issue of the securities:	30 July 2015
Total number of securities issued or expected to be issued:	1,343,499,467

For the purposes of section 708AA(7) of the Corporations Act, Heritage Brands advises:

1. the New Shares will be issued without disclosure under Part 6D.2 of the Corporations Act as notionally modified by CO 08/35;
2. this notice is given under section 708AA(2)(f) of the Corporations Act as notionally modified by CO 08/35;
3. as at the date of this notice, Heritage Brands has complied with:
 - (a) the provisions of Chapter 2M of the Corporations Act as they apply to Heritage Brands; and
 - (b) section 674 of the Corporations Act;
4. as at the date of this notice, there is no excluded information of the type referred to in sections 708AA(8) and 708AA(9) of the Corporations Act; and
5. the effect the issue of the New Shares under the Rights Issue will have on the control of Heritage Brands, and the consequences of that effect, will depend on a number of factors, including investor demand and the level of support for the Rights Issue.

The Directors of Heritage Brands cannot speculate the extent to which the full entitlements under the Rights Issue will be accepted by the eligible shareholders or the levels of voting power after completion of the Rights Issue. However, they make the following observations:

Potential dilution generally of existing shareholders

If every shareholder takes up their full entitlement under the Rights Issue, the Rights Issue will have no material effect on the control of Heritage Brands. However, if not every shareholder subscribes for their full entitlement under the Rights Issue, the existing shareholders who do not take up their entitlements under the Rights Issue will be diluted upon the issue of the New Shares.

Potential increases in voting power in Heritage Brands

The Rights Issue is partially underwritten by Pitt Capital Partners Limited (**Underwriter**) to the extent of \$6,103,122.

The Underwriter has advised Heritage Brands that the Underwriter's obligations under the underwriting agreement with Heritage Brands are to be fully sub-underwritten by a panel of sub-underwriters, all of

whom (other than CVC Private Equity Limited) are existing shareholders of Heritage Brands.

As the Underwriter's obligations are to be fully sub-underwritten, Heritage Brands is of the view that the Offer will not affect the control of Heritage Brands that may be obtained by the Underwriter.

The Underwriter has advised the Company that the only sub-underwriter who is not already a substantial shareholder of the Company as disclosed at the date of the Offer Document and who could potentially become a substantial shareholder of the Company solely as a result of their sub-underwriting is CVC Private Equity Limited. The maximum number of New Shares that CVC Private Equity Limited can obtain under its sub-underwriting agreement is 181,588,912 New Shares, which would increase its voting power in the Company from 0% to 10.1%. The Directors of Heritage Brands do not believe that there would be any consequences arising if CVC Private Equity Limited were to increase its voting power to 10.1%.

As at the date of the Offer Document, the following four shareholders of Heritage Brands are the only shareholders who have notified the Company that they are substantial shareholders ("**Existing Substantial Shareholders**"):

Existing Substantial Shareholder	Voting power in Company
Souls Private Equity Limited	25.1%
Maximize Equity Pty Ltd	22.5%
Rawlo International Pty Ltd	17.6%
Stephen Mason	14.0%

The Existing Substantial Shareholders are four of the shareholders to whom shareholder loans are owed by the Company and have agreed with the Company to take up their entitlement in an amount at least equal to the shareholder loan owed to them. Such agreements will not affect control of the Company as the number of New Shares that each has agreed to take up is less than their full entitlement, based on their holdings of Heritage Brands Shares as at the date of the Offer Document.

The Underwriter has advised the Company that the Existing Substantial Shareholders have also agreed to sub-underwrite in the following amounts:

Existing Substantial Shareholder	Amount of sub-underwriting	Number of New Shares sub-underwritten
Souls Private Equity Limited	\$1,563,157	208,420,898
Maximize Equity Pty Ltd	\$1,201,306	160,174,133
Rawlo International Pty Ltd	\$1,346,742	179,565,657
Stephen Mason	\$400,000	53,333,333

The table below is intended to set out the maximum effect the Offer could have on the control of the Company held by the Existing Substantial Shareholders where the Existing Substantial Shareholders take up their entitlements in part, equal to the amount of the shareholder loan owed to them. The table assumes that there is no take up of any entitlements by any other eligible shareholders other than by those shareholders who are owed shareholder loans (and the table assumes those shareholders take up their entitlements to the amount of their shareholder loan):

Existing Substantial Shareholder	Existing number of Shares held	Existing voting power %	Entitlement taken up equal to value of Shareholder Loan (Number of New Shares)	Number of New Shares taken up under sub-underwriting agreement	Total shareholding immediately after Rights Issue completes	New voting power %
Souls Private Equity Limited	114,962,106	25.1%	129,087,600	208,420,898	452,470,604	25.1%
Maximize Equity Pty Ltd	102,800,704	22.5%	120,174,134	160,174,133	383,148,971	21.3%
Rawlo International Pty Ltd	80,671,614	17.6%	192,233,333	179,565,657	452,470,604	25.1%
Stephen Mason	63,895,060	14.0%	46,666,667	53,333,333	163,895,060	9.1%

The above table assumes that the current shareholdings of the Existing Substantial Shareholders do not alter between the date of the Offer Document and the Record Date.

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The Directors of Heritage Brands do not believe that the potential effect on the control of Heritage Brands as outlined in the above table will have any consequences, given that control of Heritage Brands would not differ materially from the existing control of Heritage Brands as at the date of this notice.

The following table is intended to set out the total number of Heritage Brands Shares (and voting power in the Company) that each Existing Substantial Shareholder could obtain, assuming that Existing Substantial Shareholder is the only shareholder that applies for its full entitlement under the Rights Issue and that the only other shareholders who apply for any New Shares are the other Existing Substantial Shareholders and other shareholders to whom shareholder loans are owed, and that in each case those other shareholders apply only for that number of New Shares equal to the amount of their shareholder loan:

Existing Substantial Shareholder	Existing number of Shares held	Number of New Shares acquired by taking up Entitlement in full	Number of New Shares obtained under sub-underwriting	Existing voting power %	Total shareholding immediately after Rights Issue completes	Voting power % immediately after Rights Issue completes
Souls Private Equity Limited	114,962,106	337,508,498	155,039,279	25.1%	607,509,883	33.7%
Maximize Equity Pty Ltd	102,800,704	301,804,763	124,422,927	22.5%	529,028,394	29.3%
Rawlo International Pty Ltd	80,671,614	236,837,652	169,723,066	17.6%	487,232,332	27.1%
Stephen Mason	63,895,600	187,584,644	44,097,536	14.0%	295,577,780	16.4%

The above table assumes that the current shareholdings of the Existing Substantial Shareholders do not alter between the date of the Offer Document and the Record Date.

The Directors of Heritage Brands do not believe that the potential effect on the control of Heritage Brands as outlined in the above table will have any consequences, given that control of Heritage Brands would not differ materially from the existing control of Heritage Brands as at the date of this notice.

In respect of any shortfall, eligible shareholders will be entitled to top-up their shareholding, by subscribing for additional shares to be issued from the shortfall pool. However, no additional shares will be issued to any eligible shareholders if in the view of the Directors of Heritage Brands the issue would increase that eligible shareholder's voting

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power above 19.9% or to any eligible shareholder whose voting power is already above 19.9%. Accordingly, the issue of additional shares under the top-up offer is not expected to have any effect on the control of the Company.

Further details regarding the Rights Issue are set out in the Offer Document.

Signed for and on behalf of Heritage Brands:

David Fairfull



Chairman
Heritage Brands Limited