



NOT FOR RELEASE TO U.S. WIRE SERVICES OR DISTRIBUTION IN THE UNITED STATES

Thursday, 28 November 2019

Dear Shareholder,

Renounceable Entitlement Offer – Letter to Ineligible Shareholders

On Wednesday, 27 November 2019, Hearts and Minds Investments Limited (ACN 628 753 220) ("HM1") announced a renounceable pro rata entitlement offer of new ordinary shares in HM1 ("New Shares") (with entitlements trading) to raise up to \$62,500,000 (before costs) ("**Entitlement Offer**"). The offer price is \$2.50 per New Share ("**Offer Price**").

This letter is to inform you about the Entitlement Offer, and to explain why you will not be able to subscribe for New Shares under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. **You are not required to do anything in response to this letter but there may be financial implications for you as a result of the Entitlement Offer that you should be aware of.**

The Entitlement Offer and use of proceeds

The Entitlement Offer is being made in accordance with section 708AA of the Corporations Act 2001 (Cth) ("**Act**") (as modified by Australian Securities and Investments Commission Corporations (Non-Traditional Rights Issues) Instrument 2016/84), meaning that the Entitlement Offer is not being conducted by way of a prospectus.

The net proceeds raised from the Entitlement Offer will be used by HM1 to allocate funds to our new Core Fund Manager, TDM Growth Partners. As with our other Core Fund Managers, the allocation will be invested in the three highest conviction investment ideas of TDM Growth Partners. Your Directors believe that TDM Growth Partners will be a great addition to our suite of Core Fund Managers. TDM Growth Partners have a strong record of past performance and importantly focus on holding a concentrated portfolio of companies that are run by passionate management teams and which operate in markets that have long growth runways.

Details of the Entitlement Offer

The Entitlement Offer is being made to eligible shareholders on the basis of 1 New Share for every 8 existing HM1 ordinary shares held as at 7.00 pm (Sydney time) on Monday, 2 December 2019 ("**Record Date**"). New Shares issued under the Entitlement Offer will rank equally with existing HM1 shares in all respects. An offer booklet in relation to the Entitlement Offer ("**Entitlement and Information Booklet**") will be released on the Australian Securities Exchange ("**ASX**") and despatched to Eligible Shareholders (as defined below) on or around Thursday, 5 December 2019.

Eligibility criteria

"**Eligible Shareholders**" are those persons who are a holder of existing HM1 ordinary shares as at 7.00pm (Sydney time) on the Record Date and who:

- have a registered address on the HM1 share register in Australia or New Zealand;
- are not in the United States and are not acting for the account or benefit of a person in the United States (to the extent they are holding HM1 ordinary shares for the account or benefit of such person in the United States); and
- are eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus or offer document to be lodged or registered.

HM1 reserves the right to determine whether a shareholder is an Eligible Shareholder or an Ineligible Shareholder (defined below). Shareholders who are not Eligible Shareholders are “**Ineligible Shareholders**” and are consequently unable to participate in the Entitlement Offer.

The restrictions upon eligibility to participate in the Entitlement Offer arise because of the legal and regulatory requirements in countries other than Australia or New Zealand and the potential costs to HM1 of complying with these legal and regulatory requirements compared with the relatively small number of shareholders in those countries, the relatively small number of existing HM1 ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled.

HM1 has determined, pursuant to Listing Rule 7.7.1(a) of the ASX Listing Rules and section 9A(3)(a) of the Act (as modified by Australian Securities and Investments Commission Corporations (Non-Traditional Rights Issues) Instrument 2016/84), that it would be unreasonable to make offers to shareholders in certain countries under the Entitlement Offer. This is due to the legal and regulatory requirements in these countries and the potential costs to HM1 of complying with these requirements, compared with the relatively small number of shareholders in those countries, the relatively small number of existing HM1 ordinary shares they hold and the relatively low value of New Shares to which those shareholders would otherwise be entitled to subscribe for.

Determination of eligibility of investors for the purposes of the Entitlement Offer is determined by HM1 with reference to a number of matters. HM1 and each of its affiliates and related bodies corporate and each of their respective directors, officers, partners, employees, consultants, advisers and agents disclaim any liability in respect of any determination as to eligibility, to the maximum extent permitted by law.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Shareholder stated above. Accordingly, in compliance with ASX Listing Rule 7.7.1(b) and section 9A(3)(b) of the Act, HM1 wishes to advise you that it will not be extending the Entitlement Offer to you and you will not be able to subscribe for New Shares under the Entitlement Offer. You will not be sent the documents relating to the Entitlement Offer.

Treatment of Ineligible Shareholder entitlements

Ineligible Shareholders are not entitled to participate in the Entitlement Offer, or to trade or exercise entitlements to be issued New Shares under the Entitlement Offer.

However, as the Entitlement Offer is renounceable, you may receive value for entitlements you would have received had you been eligible to participate in the Entitlement Offer. Arrangements have been made for the entitlements that would otherwise have been offered to Ineligible Shareholders to be sold, for their benefit, after Monday, 16 December 2019 by a nominee appointed by HM1. You will receive any proceeds in excess of the Offer Price in respect of each entitlement to



subscribe for New Shares sold in the retail shortfall bookbuild that you would have received under the Entitlement Offer if you were eligible to participate, net of any applicable withholding tax or expenses. However, there is no guarantee that you will receive any value for the entitlements you would have received had you been eligible to participate in the Entitlement Offer. If the net proceeds of sale (after deduction of withholding tax and expenses) are less than the reasonable costs that would be incurred by HM1 for distributing those proceeds, those proceeds may be retained by HM1. Additionally, you may receive no net proceeds if the costs of the sale are greater than the sale proceeds. HM1 does not take any responsibility for the outcome of the sale of those entitlements.

Any proceeds received by you may have Australian and overseas tax consequences, depending on your individual circumstances. You should seek professional tax advice regarding the taxation of any proceeds received.

The entitlements of Eligible Shareholders will be tradeable on ASX. The assignment, transfer and exercise of entitlements trading on ASX will be restricted to persons meeting certain eligibility criteria. In particular, persons in the United States and persons acting for the account or benefit of persons in the United States will not be eligible to purchase or trade entitlements or to exercise entitlements they acquire. If you buy entitlements during the trading period, but you do not meet the eligibility criteria, you will not be able to take up or exercise those entitlements and, as a result, you may receive no value for them.

You are not required to do anything in response to this letter.

For further information on the Entitlement Offer or if you believe that you are an Eligible Shareholder, you can contact the HM1 Offer Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) from 8.30am to 5.30pm (Sydney time) Monday to Friday (excluding public holidays) during the offer period (the period commencing Thursday 5 December 2019 and ending on Monday 16 December 2019) if you have any questions about the details of the Entitlement Offer. If you have any further questions, you should contact your stockbroker, accountant or other professional adviser.

On behalf of the Board of HM1, we regret that you are not eligible to participate in the Entitlement Offer and I thank you for your continued support.

Yours sincerely

A handwritten signature in blue ink, appearing to read "T. Bloomfield", is written over a light blue circular stamp.

Tom Bloomfield
Company Secretary
Hearts and Minds Investments Limited



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Important Information:

This letter is issued by Hearts and Minds Investments Limited (ACN 628 753 220) (“**HM1**”). This letter is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in HM1 in any jurisdiction. This letter does not constitute financial product advice and does not and will not form part of any contract for the acquisition of HM1 ordinary shares.

The determination of eligibility of investors for the purpose of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of HM1. HM1 and each of its affiliates disclaim any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.

This letter does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. No action has been or will be taken to register, qualify or otherwise permit a public offering of the Entitlements or New Shares in any jurisdiction outside Australia and New Zealand. In particular, neither the Entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the Entitlements may not be exercised or taken up by, and the New Shares may not be offered or sold directly or indirectly, to, persons in the United States unless they have been registered under the Securities Act (which HM1 has no obligation to do so or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration requirements of the Securities Act and applicable U.S. state securities laws. The Entitlements and New Shares to be offered and sold in the Entitlement Offer will only be offered and sold outside the United States in "offshore transactions" (as defined in Rule 902(h) of the Securities Act) in reliance on Regulation S under the Securities Act.

The provision of this letter is not, and should not be considered as, financial product advice. The information in this letter is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Please read the Entitlement and Information Booklet, and if you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.

IMPORTANT NOTICE TO NOMINEES: Because of legal restrictions, you must not send copies of this letter nor any material relating to the Entitlement Offer to any of your clients (or any other person) in the United States or any other person acting for the account or benefit of persons in the United States, or persons acting for the account or benefit of persons in the United States, or to any person in any other jurisdiction outside of Australia and New Zealand. Failure to comply with these restrictions may result in violations of applicable securities laws. The provision of this document is not, and should not be considered as, financial product advice. The information in this document is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.