

12 February 2020

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Subject: Notice under Section 708A(12C)(e) of the Corporations Act 2001

This cleansing notice (**Cleansing Notice**) is given by Arowana International Limited (ACN 103 472 751) (**Company**) under Section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as amended by *ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82*.

The Company hereby confirms that:

- (a) the Redeemable Convertible Notes were issued without disclosure to investors under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act;

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the Redeemable Convertible Notes issued by the Company on the terms described below, to be on-sold to retail investors without further disclosure.

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1. BACKGROUND

As announced on 10 February 2020 the Company has executed a redeemable convertible note deed poll (the **Deed**) and accepted applications for redeemable convertible notes from a number of professional and sophisticated investors (**Noteholders**) under which the Noteholders have agreed to subscribe for redeemable convertible notes with an aggregate face value of \$3,555,000 (**Redeemable Convertible Notes**) agreeing to be bound by the terms and conditions governing the Redeemable Convertible Notes set out in the redeemable convertible note deed poll (**Terms and Conditions**).

Upon submitting an application for subscription for Redeemable Convertible Notes, the Noteholders must pay the aggregate face value for subscribing for the Redeemable Convertible Notes, in consideration of which the Company will issue to the Noteholders 5,925,000 Redeemable Convertible Notes with a face value of \$0.60 per Redeemable Convertible Note (**Face Value**) and with a 36 month term on the terms set out in the Terms and Conditions. The Redeemable Convertible Notes are unsecured.

Subject to adjustment for capital reconstruction, each Redeemable Convertible Note will convert into 4 Shares. The total number of Shares to be issued if all Redeemable Convertible Notes are converted into Shares is 23,700,000. This number is within the Company's present 15% issuing capacity under Listing Rule 7.1 and does not require the Company to obtain the approval of its shareholders (**Shareholders**).

A summary of the rights, privileges and restrictions attaching to the Redeemable Convertible Notes is set out in Section 4 of this Cleansing Notice.

The Company paid or agreed to pay a subscription commitment fee (Commitment Fee) of 5% of the value amount subscribed by investors in the Redeemable Convertible Notes.

The Directors consider that the issue of Redeemable Convertible Notes is in the best interests of the Company's Shareholders as it provides funding for:

- (a) investments which are consistent with its business objectives; and
- (b) costs of the funding, as well as for general working capital.

2. CONTENTS OF THIS CLEANSING NOTICE

This Cleansing Notice sets out the following:

- (i) the effect of the issue of the Redeemable Convertible Notes and the issue of Shares upon conversion of the Redeemable Convertible Notes on the Company;
- (ii) a summary of the rights and liabilities attaching to the Redeemable Convertible Notes; and
- (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Redeemable Convertible Notes; and

any information that:

- (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and
- (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to Shares; and
- (iii) other information relating to the Company's status as a disclosing entity.

3. THE EFFECT OF THE ISSUE ON THE STRUCTURE OF THE COMPANY

3.1. Effect of the issue on the Company

The principal effect of the issue of the Redeemable Convertible Notes on the Company will be to:

- (a) increase the Company's cash reserves by \$3,555,000 (before costs associated with the Redeemable Convertible Notes issue);
- (b) increase the number of unquoted secured Redeemable Convertible Notes on issue from zero (0) to five million, nine hundred and twenty-five thousand (5,925,000);
- (c) give rise to the Company having a liability for the amount of the aggregate Face Value of the Redeemable Convertible Notes (being \$3,555,000); and
- (d) if the Redeemable Convertible Notes are converted in whole, increase the number of Shares on issue by twenty-three million, seven hundred thousand (23,700,000).

3.2. Pro-Forma Consolidated Statement of Financial Position as at 30 June 2019 taking into account the issue of the Redeemable Convertible Notes

- (a) Set out in Annexure A is a pro-forma consolidated Statement of Financial Position as at 30 June 2019 for the Company based on its 30 June 2019 audited Annual Report adjusted to reflect the proposed Redeemable Convertible Note issue and has been prepared on the basis of the accounting policies normally adopted by the Company.
- (b) The pro-forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro-forma financial information is not audited. The classification of the allocations between debt and equity for the Redeemable Convertible Notes may change in the future.

3.3. Potential effect on capital structure

- (a) As at the date of this Cleansing Notice, the total number of issued Shares is 158,170,799.
- (b) The capital structure of the Company will be affected by the conversion of the Redeemable Convertible Notes by the Noteholder which will result in additional Shares being issued. If the Noteholders convert all of the Redeemable Convertible Notes, 23,700,000 new Shares would be issued. The actual effect on the issued share capital of the Company will depend on what percentage of the Redeemable Convertible Notes is actually converted.
- (c) Subject to limits on the conversion under the Agreement, the Redeemable Convertible Note can be converted prior to the date of maturity (being 36 months from the date of its issue (**Maturity Date**)) at the request of the Noteholder made in writing to the Company after 31 December 2020 and within 30 days of the date each half year or full year financial statement is released on the ASX company announcements platform.
- (d) The effect on the issued share capital of the Company on conversion of all the Redeemable Convertible Notes is set out in the table below and assumes all of the

Redeemable Convertible Notes are converted into Shares and there is no reconstruction, further issue or other event which changes the number of Shares on issue at the time of conversion or the number of Shares to be issued upon conversion of each Redeemable Convertible Note.

Shares	Number
Shares on issue prior to issue of the Redeemable Convertible Notes	158,170,799
Shares issued assuming conversion of all Redeemable Convertible Notes into Shares	23,700,000
Total Shares on issue following conversion of all Redeemable Convertible Notes into Shares	181,870,799

3.4. Subscription commitment fee

The Company paid or agreed to pay a subscription commitment fee (Commitment Fee) of 5% of the value amount subscribed by investors in the Redeemable Convertible Notes.

4. RIGHTS AND LIABILITIES ATTACHING TO THE REDEEMABLE CONVERTIBLE NOTE

Term and Maturity Date	3 years after the Issue Date of the Redeemable Convertible Note
Face value	Each Redeemable Convertible Note has a face value of A\$0.60.
Interest	8% per annum
Security	The Redeemable Convertible Note is unsecured.
Conversion	<p>At any time during the Conversion Notice Period, the Noteholder may require the conversion of all of their issued Redeemable Convertible Notes by giving notice to the Issuer. Following the provision of notice to the Issuer, the face value of the Redeemable Convertible Notes being converted will convert into Shares in accordance with the following formula, rounded down to the nearest whole number:</p> $CS = CN \times 4$ <p>Where:</p> <p>CS means the number of conversion Shares to be issued;</p> <p>CN means the number of Redeemable Convertible Notes specified in a Conversion Notice</p>

Early redemption	<p>A Noteholder (Redeeming Noteholder) may elect to require the Issuer to redeem all (and not less than all) of their Redeemable Convertible Notes after 31 December 2020 by notice in writing to the Issuer, given within 30 days after the date of release by the Issuer of each of its half year Financial Statements or full year Financial Statements on the ASX company announcements platform.</p> <p>The Issuer may elect to redeem all of the Redeemable Convertible Notes after 31 December 2020 at a premium of 10% of the Face Value of each Redeemable Convertible Note by notice in writing to the Noteholders given no less than 30 days nor more than 60 days after the date of release by the Issuer of each of its half year or fully year Financial Statements on the ASX company announcements platform.</p>
Transferability	<p>Redeemable Convertible Notes are transferable to third parties who are Sophisticated Investors, Professional Investors or who otherwise fall under an exempt transfer and are exempt from the obligation to prepare a disclosure document.</p>
Governing law	<p>New South Wales</p>

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED UNDER THE REDEEMABLE CONVERTIBLE NOTES

The Shares issued to the Noteholders on the conversion of the Redeemable Convertible Notes will rank equally in all respects with all of the Company's existing Shares. The rights attaching to the Shares, including new Shares to be issued to the Noteholder on the conversion of the Redeemable Convertible Notes under the Agreement, are set out in the Company's Constitution, and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

The Company intends to apply to ASX Limited for quotation of any Shares issued on conversion of the Redeemable Convertible Notes, which is required under the Terms and Conditions.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be inspected free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

General Meetings	Each Shareholder has a right to receive notice of, to attend and to vote at General Meetings of the company.
Voting	On a show of hands, each Shareholder present person has one vote. On a poll, each Shareholder who has fully paid shares has one vote for each share held.
Dividends	The Directors may, at its discretion, determine whether dividends are payable to Shareholders.
Rights on winding up	If the Company is wound up, the liquidator may divide the whole or any part of the Company's property amongst the Shareholders, if the Shareholders approve by way of a special resolution.
Transfer of Shares	Shares are generally freely transferable, subject to formal requirements.
Variation of rights	If the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may be varied in writing by members holding at least 75% of the total number of issued shares of that class or by a special resolution passed at a separate meeting of shareholders holding shares of that class.

6. COMPLIANCE WITH DISCLOSURE OBLIGATIONS

The Company is a “**disclosing entity**” under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors’ statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from or inspected at an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2019;
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure documents given by the Company to ASX after the lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after lodgement of the annual financial report referred to in (a) and before the lodgement of this Cleansing Notice with ASX is set out below in the table.

Date	Announcement
10/02/2020	Proposed issue of securities - AWN
10/02/2020	Successful placement of redeemable convertible notes
06/02/2020	Trading halt
04/02/2020	VivoPower appoints Michael Hui as new Non-Executive Director
28/11/2019	Results of Annual General Meeting
28/11/2019	Executive Chairman's Presentation to Shareholders
28/10/2019	Notice of Annual General Meeting
23/10/2019	VivoPower announces sale of Australian solar portfolio
23/09/2019	VivoPower appoints Ashwin Roy as new Non-Executive Director
27/08/2019	Appendix 4G and Corporate Governance Statement
27/08/2019	Investor Presentation

7. INFORMATION EXCLUDED FROM CONTINUOUS DISCLOSURE NOTICES

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Redeemable Convertible Notes under the Agreement and the Shares.

For more information please contact the undersigned on +61 2 8083 9832.

A handwritten signature in black ink, appearing to read 'Cameron Fellows', written in a cursive style.

Cameron Fellows
Company Secretary

ANNEXURE A - PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE COMPANY AS AT 30 JUNE 2019

The pro-forma Statement of Financial Position presented in the subsequent table has been prepared on the following basis:

- The 30 June 2019 Audited Consolidated Statement of Financial Position, as included on page 30 of the Company's Annual Report for the year ended 30 June 2019, has been used as the base position to illustrate the impact of the proposed Redeemable Convertible Note issue;
- The pro-forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. It has been prepared in accordance with the Company's normal accounting policies;
- The pro-forma financial information is not audited. The classification of the allocations between debt and equity for the Redeemable Convertible Notes may change in the future;
- Cash and cash equivalents, trade and trade receivables, and other assets and liabilities have not been adjusted for expenditure and other activities since 30 June 2019;
- The issue of 5,925,000 Redeemable Convertible Notes raising a total of \$3,377,250 in cash proceeds (net of costs and expenses), is shown in the 'Convertible Note Issue' column;
- The fair value of the debt component of 5,925,000 Redeemable Convertible Notes, representing the present value of future cash flows discounted using the Company's incremental borrowing rate, is shown in the 'Convertible Note Issue' column;
- The capitalisation of costs associated with the Redeemable Convertible Note issue - to be amortised over the term of the underlying instruments - is shown in the 'Convertible Note Issue' column; and
- The conversion option, representing the residual difference between the consideration received for the convertible debt and the fair value of the debt component as determined above, is classified as an equity instrument and is shown in the 'Convertible Note Issue' column.

Annexure A (continued) - Pro-Forma Consolidated Statement of Financial Position

	Audited 30 June 2019	Convertible Note Issue	Pro-Forma 30 June 2019
	\$	\$	\$
<i>Current assets</i>			
Cash and cash equivalents	17,573,491	3,377,250	20,950,741
Trade and other receivables	12,918,646	-	12,918,646
Inventory	8,199,056	-	8,199,056
Other current assets	4,977,368	-	4,977,368
Assets classified as held-for-sale	20,174,060	-	20,174,060
Total current assets	63,842,621	3,377,250	67,219,871
<i>Non-current assets</i>			
Investments accounted for using the equity method	316,554	-	316,554
Other financial assets	219,372	-	219,372
Other non-current assets	2,054,622	-	2,054,622
Property, plant and equipment	12,068,225	-	12,068,225
Deferred tax asset	9,726,362	-	9,726,362
Intangible assets	46,435,687	-	46,435,687
Total non-current assets	70,820,822	-	70,820,822
Total assets	134,663,443	3,377,250	138,040,693
<i>Current liabilities</i>			
Trade and other payables	45,603,437	-	45,603,437
Deferred consideration	-	-	-
Current tax liabilities	976,021	-	976,021
Current provisions	4,210,140	-	4,210,140
Interest bearing liabilities	4,191,394	-	4,191,394
Other current liabilities	1,589,643	-	1,589,643
Total current liabilities	56,570,635	-	56,570,635
<i>Non-current liabilities</i>			
Non-current provisions	1,366,272	-	1,366,272
Deferred tax liabilities	5,800,082	-	5,800,082
Interest bearing liabilities	4,868,401	-	4,868,401
Redeemable convertible note – fair value	-	3,469,836	3,469,836
Redeemable convertible note – capitalisation of costs	-	(177,750)	(177,750)
Total non-current liabilities	12,034,755	3,292,086	15,326,841
Total liabilities	68,605,390	3,292,086	71,897,476
Net assets	66,058,053	85,164	66,143,217
<i>Equity</i>			
Issued capital	59,775,954	-	59,775,954
Reserves	(32,877,964)	85,164	(32,792,800)
Retained earnings	30,622,374	-	30,622,374
Equity attributable to Parent interest	57,520,364	85,164	57,605,528
Equity attributable to non-controlling interest	8,537,689	-	8,537,689
Total equity	66,058,053	85,164	66,143,217

ANNEXURE B - EVENTS OF DEFAULT

Defined terms in this annexure are as used in the Terms and Conditions.

The following are Events of Default:

Non-payment	Where the Issuer fails to pay any amount due within 2 Business Days or when due, or where the failure to pay any amount is a result of an administrative error, within 4 Business Days of when due.
Breach of Transaction Document	Where the Issuer breaches a material term of the Application and/or the Deed Poll.
Insolvency	Where an Insolvency Event occurs in respect of any member of the Issuer Group.
Breach of law	Where the Issuer Group breaches a law that results in the Issuer Group being unable to lawfully carry on its business.
Judgement	Where a judgement amount exceeding \$20,000,000 is obtained against the Issuer and is not set aside or satisfied within 20 Business Days.
Compulsory acquisition order	Where any Government Agency compulsorily acquires all or a material part of the assets of the Issuer Group or a material part of the Issuer Group's assets are sold pursuant to a binding order from a Government Agency and full compensation is not received for the acquisition, sale or divestiture.
Material Adverse Effect	Where any event occurs which has or is likely to have a Material Adverse Effect.
Conditional waiver	Where any Event of Default (or occurrence which would otherwise have been or become an Event of Default) is conditionally waived by the Noteholders and the conditions of the relevant waiver have not been fulfilled or are incapable of being fulfilled by the Issuer or any other person.