



STRATA-X

ENERGY

STRATA-X ENERGY TO MERGE WITH REAL ENERGY TO BECOME PURE ENERGY

Highlights

- Scheme of arrangement agreed by both boards
- Strata -X Energy (SXA) to offer one (1) SXA share for three (3) Real Energy shares.
- Nil premium applied to the value of either company.
- Significant benefits for all shareholders as part of the merged group.
- Strata-X Energy to delist its shares from the TSX Venture Exchange.
- Logical consolidation of the complementary Real Energy and Strata X Energy portfolios will provide the platform to create a meaningful gas business.
- Strata-X Energy to change its name to 'Pure Energy Corporation Limited'
- The Board of Directors of Strata-X Energy unanimously recommend that Strata-X Energy shareholders vote in favour of the name change to Pure Energy Corporation Limited.
- The Board of Directors of Strata-X Energy, who collectively hold approximately 16% of Strata-X's ordinary shares have approved the proposal.

Board of Directors:

Ron Prefontaine – Executive Chairman
Don Romaniuk - Director
Greg Hancock – Director
Duncan Cornish – Director

Investor Relations:

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TSX.V : SXE

ASX : SXA





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STRATA-X ENERGY LTD - BRISBANE, QUEENSLAND AUSTRALIA and VANCOUVER, BRITISH COLUMBIA CANADA – July 15, 2020

Strata-X Energy Limited (ASX:SXA, TSXV: SXE) (“Strata-X”) and Real Energy Corporation Limited (ASX: RLE) (“Real Energy”) with on shore domestic gas appraisal and development in Queensland and Botswana, are pleased to announce that the Companies have entered into an arm’s length binding Scheme Implementation Agreement dated July 15, 2020 (“SIA”) to pursue a nil premium merger whereby Real Energy shareholders will receive one (1) new Strata-X share for three (3) Real Energy shares that they own. A copy of the SIA is attached to this announcement.

The combination of Strata-X and Real Energy will be renamed Pure Energy Corporation Limited (‘Pure Energy’) and represents a compelling opportunity to create a material gas business from the significant 100% owned gas resources contained within projects located in the Surat and Cooper Basins in Queensland and the Republic of Botswana.

PURE ENERGY’S GAS PROJECTS OFFER SIGNIFICANT COMPANY GROWTH POTENTIAL (POST-MERGER)

Pure Energy’s Project Venus is located within the Walloon CSG fairway and immediately adjacent to gas pipeline infrastructure in the Surat Basin.⁽¹⁾

In addition, the merged entity’s 100% owned broader asset portfolio in Australia and the Republic of Botswana presents further upside potential. Pure Energy will have a total 11.8 TCF^(1,2,3) of Prospective Gas Resources with 770 BCF of 3C⁽²⁾ and 353 BCF of 2C^(2,3) Contingent Gas Resources. Stated Prospective Resource figures are from a Report dated 10 December 2019 by Timothy Hower, Senior Advisor at MHA Petroleum Consultants for Project Venus along with Prospective and Contingent Resources for the Serowe CSG Project by the same author in a report dated 10 May 2019 and for the Windorah Gas Project in a report dated 5 June 2015 from Paul Szatkowski, Senior VP of DeGolyer and MacNaughton.

ASX disclosure note - 5.28.2 – Prospective Resources - The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



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Pure Energy's gas projects have several common attributes:

1. Wells are drilled that prove the gas resources are present including third party certifications.
2. The primary technical risk is finding completion methods to prove commercial gas flows.
3. Over the next 12 months, Pure Energy plans to use innovative well completion and non-frack reservoir enhancement methods with the goal to prove commercial gas flows.
4. Proving commercial gas flows is the precursor to predictable reserves increases and the potential for substantial company growth.
5. All three gas projects have ready gas markets.

The merger of Strata-X Energy and Real Energy into Pure Energy has the goal to create the next ASX energy growth stock. With the significant resources in the three gas projects and finding the keys to unlock those resources, this goal is achievable.

Pure Energy targets lower emissions and joining the Hydrogen Economy

Pure Energy's vision is to lower emissions initially through substitution of methane for coal and diesel. Pure Energy is also investigating the feasibility of building a methane to hydrogen plant in Gladstone. Looking ahead, one of Pure Energy's goals is converting methane to hydrogen and value add graphite products using a hybrid methane pyrolysis method.

Merger to reduce administration costs and combine technical and management expertise

The removal of duplicate administrative functions and listing costs delivers significant cost savings to the merged entity. Scott Brown, Real Energy's current Managing Director is the nominated Managing Director for Pure Energy. Strata-X Energy's current Executive Chairman, Ron Prefontaine, a 41-year veteran and one of the pioneers of CSG in Australia, is the nominated Chairman of Pure Energy.

A summary presentation of the merger and Pure Energy is attached to this announcement.

Strata-X's internal Review of Real's potential R&D claim liability.

Since 2013, Real Energy had drilled and tested several deep wells (2600 to 3000 metres) in the Cooper Basin in Queensland with the goal to prove sustained commercial gas flows rates from a proven Cooper Basin centered gas resource.

By 2019, Real Energy's systematic approach and innovative technical methods did result in initial encouraging and potentially commercial gas flow rates from two wells. Unfortunately, those gas flow rates could not be sustained.



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About the same time, Ausindustry had rejected Real Energy's ~\$13 million R&D claim (of which it had already been paid ~\$7 million) which negatively impacted their share price.

Mr. Ron Prefontaine, as part of Strata-X's due diligence of Real Energy, reviewed the methods and results of Real Energy's experimentation and trials to prove commercial gas flow rates. Following his review, he offered the following comments based on his many decades of industry experience: *"I believe that while Real's systematic approach to proving commercial gas flow rates discounted some methods, on the whole, Real was on the right track. In my view, there are current and emerging hybrid reservoir enhancement methods that need to be tested in order to establish that improvements and potentially sustained commercial gas flow rates are possible."*

Mr. Prefontaine also reviewed Real's AusIndustry R&D submissions and the assessor's report. Mr. Prefontaine noted that *"there are compelling grounds to challenge the assessor's findings, leaving open the possibility that they could be reversed on appeal to an arbitrator."* He stated that *"while it is impossible to predict the final outcome of arbitration, I believe that a significant portion of Real's R&D claim could ultimately be upheld as constituting valid R&D within the meaning of the Federal tax legislation. Should such an outcome be obtained, Real's R&D claim could prove to be an asset. That being said, the simpler and more prudent approach, and the one adopted by Strata-X, was to assign a zero value to the R&D cost claim."*

Scott Brown, Managing Director of Real Energy said: *"This is a compelling combination taking the best elements of both companies and having a strong portfolio of Projects with positions in both the Surat Basin and Cooper Basin, and having a significant project in Botswana together with the potential to supply gas East Coast markets."*

"Real Energy and Strata-X Energy's combined interest of 100% in the Project Venus and our broader portfolios enhances the likelihood of the merged entity becoming a meaningful gas operator in the east coast of Australia. Work on the Connor-1 re-entry on Project Venus is expected to commence in the next month, and from an operational perspective, it is business as usual while seeking shareholder approval for the merger. Pure Energy will have exposure to highly prospective and significant projects including Project Venus in the Surat Basin, the Windorah Gas Project in the Cooper Basin, and Serowe Gas Project in Botswana and of course benefit from the opportunities that we are pursuing through Pure Hydrogen. We have lots of optionality to deliver value."



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Ron Prefontaine, Chairman of Strata-X Energy added: *"It is an exciting time to be building a new company - Pure Energy, which will have a meaningful Queensland-focused gas operated business and a great position in the Botswana CSG fairway together with the exciting hydrogen initiatives.*

"This transaction plays to Strata-X's strengths of being a low cost and high-impact on-shore exploration and appraisal operator, which makes it an extremely attractive opportunity for both Real Energy and Strata-X Energy shareholders alike."

Real Energy will prepare a Scheme Booklet and commission an independent experts report for its shareholders. The Scheme requires Real Energy's shareholder approval and Strata-X Energy shareholders' approval for changing the Company name to "Pure Energy Corporation Limited".

Conditions precedent

The implementation of the SIA is subject to conditions, including:

- Real Energy shareholders approving the Scheme at the Scheme meeting;
- Court approving the Scheme;
- No adverse Material Adverse Effects in relation to either Real Energy or Strata-X Energy
- Strata X Energy delisting its shares from the TSX.V. As Strata-X will remain listed on the ASX, it is not anticipated that majority of the minority shareholder approval will be required in connection with the delisting application;
- Other customary conditions including satisfaction of regulatory approvals and no legal constraints on completion.

Exclusivity and Break Fees

The SIA contains customary exclusivity provisions including no shop and no talk, a notification obligation and a matching right, subject Real Energy directors' fiduciary obligations where appropriate. The SIA also details circumstances under which Real Energy or Strata-X Energy be required to pay a break fee of \$100,000.

No finder's fees are payable in connection with the SIA or the transactions contemplated thereby.

By order of the Board of Strata-X Energy Limited

Ron Prefontaine



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About Strata-X Energy

Strata-X Energy is a Brisbane, Queensland, Australia based company and is engaged in the business of CBM exploration and appraisal in Queensland, Australia and the Republic of Botswana. Strata-X has 112,538,318 common shares outstanding and trades under the symbol "SXE" on the TSX-V and "SXA" on the ASX.

About Real Energy Corporation

Real Energy is an Australian east coast focused gas company with interests in the Cooper Basin, Australia's most prolific onshore producing petroleum basin, and the Surat Basin in Queensland. Real Energy has 100% ownership in 2 large permits in Queensland – ATP 927P & ATP1194PA, and a 50:50 JV with Strata X Energy Limited (ASX: SXA) to develop the 154km² ATP2051 permit in the Surat Basin as a Coal Seam Gas project.

(1) PROJECT VENUS –

LR 5.25.1 – The Prospective resources are reported as at 10 December 2019 LR 5.25.2 – The petroleum resources are Prospective Resources in accordance with SPE-PRMS. LR5.25.3 – There are currently no reserves in the permit. Estimates for prospective resources have not been adjusted for development risk LR 5.25.5 – The Prospective resources are reported as 100% - Strata-X's share is 50%. Gross royalty over Project Venus is 10%. LR 5.25.6 - The prospective resources volumes were obtained by deterministic method, calculating the potentially recoverable portion of the gas-in-place using the overall prospect area, the mapped net coal thickness, raw gas content and coal density, as well as a range of estimates of the gas recovery factor of the coals. The review was carried out in accordance with the standards in the Canadian Oil and Gas Evaluation Handbook as amended from time to time, maintained by the Society of Petroleum Evaluation Engineers. This leads to a Best Estimate of prospective resources in the subject areas of 658 Bcf, a Low Estimate of 526 Bcf, and a High Estimate of 789 Bcf (all numbers are gross 100% volumes). There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. LR 5.28.1 – The Prospective Resources estimate is based on best estimate and low and high estimate. LR 5.28.2 - Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons. Prospective Resource assessments in this release were estimated using probabilistic methods in accordance with SPE-PRMS standards. LR 5.35.1 – The Prospective Resources are reported for the area ATP2051 (previously PLR2019-1-11) in the State of Queensland. LR 5.35.2 – The existence of a significant moveable hydrocarbons are determined by the results of previous petroleum wells in and around the permit area and review of seismic data. LR 5.35.3 – The changes of the Prospective Resources being converted to a higher PRMS designation (i.e contingent resource or reserves) is high and there is a high degree of confidence in leading to development status however there are the usual risks associated with a gas resource of this type- see Cautionary Statement above. LR 5.35.4 – The estimates were not adjusted for risk. LR 5.41 - The Prospective Gas Resources are prepared by MHA Petroleum Consultants, technical consultancy and business development services for the petroleum industry and Mr Tim L. Hower is the Senior Technical Advisor responsible for the estimates. LR 5.42 - The information contained in this release pertaining the area ATP2051 Prospective Resources estimates are based on, and fairly represent, information prepared under the supervision of Mr Tim L Hower, Senior Technical Advisor of MHA Petroleum Consultants in a report dated 10 December 2020.. Mr Tim L. Hower is a qualified petroleum reserves and resources evaluator within the meaning of the ASX Listing Rules and consents to the inclusion in this release of the prospective resources estimates related information in the form and context in which that information is presented.

(2) WINDORAH GAS PROJECT –

LR 5.25.1 – The Contingent Resources are reported as at 31 July 2019. LR 5.25.2 – The petroleum resources are contingent resources. LR5.25.3 – There are currently no reserves in the permit. Estimates for contingent resources have not been adjusted for development risk LR 5.25.5 – The contingent resources are reported as 100% share. LR 5.25.6 - The stochastic method was used to estimate contingent resources in ATP 927P. The stochastic method is based on assigning a statistical distribution to each of the various parameters of the volumetric calculation of recoverable hydrocarbons (in this instance gas) and varying them in a Monte Carlo simulation. LR 5.27.3 – Arithmetic summation has been used in each category to determine Contingent Resources LR 5.33.1 – The contingent resources are reported for Authority to Prospect (ATP927P) in the State of Queensland. LR 5.33.2 – The existence of a significant moveable hydrocarbons are determined by the results of 4 petroleum wells and the flow of gas to surface from these wells. LR 5.33.3 – The analytical procedures used to estimate the contingent resources are based on the Petroleum Resource Management System (PRMS). The key contingent that prevents the contingent resource from being classified as petroleum reserves are production rates and recoverable volumes. Based on the correlations between wells and volumetric calculations, there appears to be sufficient reservoir to provide the recoverable volumes. However, it appears that fracture stimulations may not currently be contacting sufficient reservoir to provide commercial recoveries. LR 5.33.5 The Contingent Resources relate to unconventional petroleum resources with an area of approximately 1,718 sq kilometres in which 4 petroleum wells have been drilled. LR 5.41 - The contingent Resources for Queenscliff area are prepared by DeGolyer & MacNaughton, an leading international consulting firm in June 2015 and for Tamarama area are prepared by Aeon Petroleum Consultants, an independent petroleum engineering firm, whose principals are James R. Weaver, P.E. and Stephen E. Dunbar. LR 5.42 - The information contained in this release pertaining to the ATP927P contingent resources estimates are based on, and fairly represent, information prepared under the supervision of Mr James Weaver, CEO of Aeon Petroleum Consultants. Mr Weaver is a qualified petroleum reserves and resources evaluator within the meaning of the ASX Listing Rules and consents to the inclusion in this release of the contingent resources and prospective resources estimates related information in the form and context in which that information is presented. ATP 927P Prospective Resources and Queenscliff area contingent resources estimates are based on, and fairly represent, information prepared under the supervision of Mr Paul Szatkowski, Senior Vice President of DeGolyer and MacNaughton in 5 June 2015. Mr Szatkowski is a qualified petroleum reserves and resources evaluator within the meaning of the ASX Listing Rules. The prospective resources figures have been adjusted on a pro-rata basis for the reduced area of ATP927P after the renewal in September 2019.

(3) SEROWE CSG PROJECT -

Prospective and Contingent Resources figures are from an audit report prepared by Timothy Hower Senior Technical Advisor of MHA Petroleum Consultants, a qualified independent reserves auditor, dated and effective 10 May 2019 following MHA's audit in accordance with the COGE Handbook of the available technical data including the geological interpretation, information from relevant nearby wells, Company drilled wells, analogous reservoirs and the proposed program for the Project, prepared and presented to MHA by Strata-X. Tim Hower is a member of the Society of Petroleum Engineers and has consented to the resources estimates in the context they appear. Stated Prospective and Contingent Resources are based on, and fairly represents, information and supporting



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documentation prepared and/or audited by, or under the supervision of Timothy Hower. Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development project. Prospective Resources have both an associated chance of discovery and a chance of development. A high level of uncertainty exists with the Prospective resources given the lack of historical drilling, available data and other productivity factors that limit the economic viability of coal seam gas deposits. The reports Prospective and Contingent Resources are over Prospecting Licenses Strata-X holds for methane production the Republic of Botswana. Actual sales from the Prospecting License cannot begin until converted by Strata-X election and environmental filings to the Republic of Botswana. Stated Prospective Resource figures are Best Estimate estimated using deterministic method – unrisks, undiscovered natural gas quantities and net of a royalty and are shown at a 100% working interest in the Project and are derived from coal characterization data from the 19B-1 well comprised of 10 net metre of coal, gas saturation yields of 120 cubic feet per ton, coal density of 1.7g/cm and using a 75% recovery factor. Stated Contingent Resource figures are Best Estimate – natural gas quantities and net of a royalty and are shown at a 100% working interest in the Project and are derived from coal characterization data from the 19B-1 well comprised of 10 net metre of coal, gas saturation yields of 120 cubic feet per ton, coal density of 1.7g/cm and using a 75% recovery factor. Contingent Resources stated are estimated using low, best and high analytical inputs, using deterministic method. Contingent Resources were extrapolated over an area of 15km² using the coal characterization of the 19B-1 well which area assumes consistent coal characterization as seen in the 19B-1 well over this area. Contingent Resources stated are prevented from being reserves until sufficient production tests are carried out and to date these tests have not been carried out. The total costs associated with establishing the commerciality of this project are unknown at this time given the early stage of the Project's development. There is no certainty that any portion of the Prospective Resources will be discovered, if discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

This announcement was made in Canada for the TSX.V and in Australia for the ASX.

Public documents for Strata-X Energy Ltd. can be found at SEDAR (Canada) (www.sedar.com) and ASX.com.au (Australia).

FORWARD-LOOKING STATEMENTS

This news release contains forward-looking statements, which relate to future events or future performance, including but not limited to, the completion and size of the Placement, receipt of regulatory approvals and timing thereof, the Corporation's business strategies and plans for the use of such Placement proceeds, capital expenditure programs and estimates relating to timing and costs, and reflect management's current expectations and assumptions, including, but not limited to the timing and receipt of necessary regulatory approvals and third party approvals and completion of the Placement and stability of general economic and financial market conditions. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", and similar expressions is intended to identify forward-looking statements. Such forward-looking statements reflect management's current beliefs and are based on assumptions made by and information currently available to the Company. Readers are cautioned that these forward-looking statements are neither promises nor guarantees, and are subject to risks and uncertainties, including imprecision in estimate capital expenditures and operating expenses, stock market volatility, general economic and business conditions in North America and globally, risks associated with liquidity and capital resource requirements, that may cause future results to differ materially from those expected and the forward-looking statements included in this news release should not be unduly relied upon. See also "Risks Factors" in the Company's Annual Information Form available on SEDAR at www.sedar.com. Those factors are not, and should not be construed as being exhaustive. These forward-looking statements are made as of the date hereof and the Company does not assume any obligation to update or revise them to reflect new events or circumstances save as required under applicable securities legislation. This news release does not constitute an offer to sell securities and the Company is not soliciting an offer to buy securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Scheme Implementation Agreement

Dated 15 July 2020

Strata-X Energy Limited (Canadian company registration number C0952496, ARBN 160 885 343) ("**Buyer**")

Real Energy Corporation Limited ("**Seller**" or "**MergCo**") (ACN 139 792 420)

Scheme Implementation Agreement

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Scheme Implementation Agreement

Details

Parties	Seller and MergCo	
MergCo or Seller	Name	Real Energy Corporation Limited
	ACN	139 792 420
	Formed in	Australia
	Address	Level 3, 32 Walker Street North Sydney NSW 2060
	Email	Scott.brown@realenergy.com.au ; admin@realenergy.com.au
	Attention	Scott Brown
Buyer	Name	Strata X Energy Limited
	Canadian company registration number	C0952496
	ARBN	160 885 343
	Formed in	British Columbia Canada
	Address	c/- Corporate Administrative Services Pty Limited Level 6, 10 Market Street Brisbane Qld 6000
	Email	Ron@strata-x.com
	Attention	Mr Ron Prefontaine

Governing law New South Wales, Australia

Recitals

- A** The MergCo and Buyer have agreed that Buyer will acquire the MergCo by means of a members' scheme of arrangement under Part 5.1 of the Corporations Act.
- B** At the request of Buyer, the MergCo intends to propose the Scheme and issue the Scheme Booklet.
- C** The MergCo and Buyer have agreed to implement the Scheme on the terms and conditions of this document.

Scheme Implementation Agreement

General terms

1 Definitions and interpretation

1.1 Definitions

Unless the contrary intention appears, these meanings apply:

ACCC means the Australian Competition and Consumer Commission.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning set out in section 12 of the Corporations Act, as if section 12(1) of the Corporations Act included a reference to this document.

ASX means ASX Limited or the market operated by it, as the context requires.

Authorised Officer means a director or secretary of a party or any other person nominated by a party to act as an Authorised Officer for the purposes of this document.

Buyer Board means the board of directors of Buyer.

Buyer Meeting means a meeting of the Buyer Shareholders to consider the Proposed Transactions, if any.

Buyer Share means a fully paid ordinary share in the capital of Buyer having the rights specified in the Buyer Constitution.

Buyer Shareholders means holders of the Buyer Shares.

Buyer Share Offer has the meaning set in the Scheme.

Buyer Confidential Information has the meaning given to 'Confidential Information' in the Confidentiality and Exclusivity Agreement.

Buyer Indemnified Parties means Buyer Parent, its officers, employees and advisers, its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

Buyer Information means the information regarding the Buyer as is required to be included in the Scheme Booklet under the Corporations Act, Corporations Regulations or ASIC Regulatory Guide 60. Buyer Information does not include information about the MergCo Group (except to the extent it relates to any statement of intention relating to the MergCo Group following the Effective Date).

Business Day means a business day as defined in the Listing Rules.

Claim means, in relation to a party, a demand, claim, action or proceeding made or brought against the party, however arising and whether present.

Competing Transaction means a proposal, transaction or arrangement (whether by

way of takeover bid, scheme of arrangement, capital reduction, sale of assets, sale or issue of securities, joint venture or otherwise) which, if completed substantially in accordance with its terms, would mean a person (other than Buyer or any of its Related Bodies Corporate) whether alone or together with its Associates would:

- (a) directly or indirectly acquire an interest or Relevant Interest in or become a holder of 20% or more of the MergCo Shares (other than as custodian, nominee or bare trustee);
- (b) acquire control of the MergCo or a material member of the MergCo Group, within the meaning of section 50AA of the Corporations Act;
- (c) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all of a substantial part of the assets of or business conducted by the MergCo Group; or
- (d) otherwise acquire or merge (including by reverse takeover bid or dual listed company structure) with the MergCo Group.

Conditions Precedent means the conditions precedent set out in clause 3.1.

Confidential Information means Buyer Confidential Information or MergCo Confidential Information.

Controller has the meaning it has in the Corporations Act.

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

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

Costs includes costs, charges and expenses, including those incurred in connection with advisers and any legal costs on a full indemnity basis.

Court means the Federal Court of Australia, or such other court of competent jurisdiction under the Corporations Act agreed by the parties.

Details means the section of this document headed "Details".

Effective, when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

Effective Date means the date on which the Scheme becomes Effective.

Encumbrance means any security for the payment of money or performance of obligations, including a mortgage, charge, lien, pledge, trust, power or title retention or flawed deposit arrangement and any "security interest" as defined in sections 12(1) or 12(2) of the PPSA or any agreement to create any of them or allow them to exist.

End Date means the date that is 9 months after the date of this document or such other date as is agreed by Buyer and MergCo.

Exclusivity Period means the period from and including the date of this document to the earlier of:

- (a) the termination of this document in accordance with its terms; and
- (b) the End Date.

Foreign Scheme Shareholder means a Scheme Participant who is a citizen or resident or whose address in the Register as at the Record Date is a place outside Australia or New Zealand unless Buyer agrees in writing that it is lawful and not unduly onerous or impracticable to issue Buyer Shares to that Scheme Participant under the Scheme.

First Court Date means the first day on which an application made to the Court, in accordance with clause 6.2(h), for orders under section 411(1) of the Corporations Act convening the Scheme Meeting is heard.

Implementation Date means the 5th Business Day following the Record Date.

Incoming Director means the persons to be appointed directors of the Buyer on the Implementation Date as notified by MergCo to the Buyer before the Second Court Date.

Independent Expert means the independent expert appointed by the MergCo under clause 6.2(c).

Independent Expert's Report means the report from the Independent Expert for inclusion in the Scheme Booklet, including any update or supplementary report, stating whether or not in the Independent Expert's opinion the Scheme is fair and reasonable to, and in the best interests of Scheme Shareholders.

A person is **Insolvent** if:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act); or
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to any part of its property; or
- (c) it is subject to any arrangement, assignment, moratorium or composition, protected from creditors under any statute or dissolved (in each case, other than to carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document); or
- (d) an order has been made, (it is not stayed, withdrawn or dismissed within 14 days), resolution passed, or any other action taken, in each case in connection with that person, in respect of any of the things described in paragraphs (a), (b) or (c); or
- (e) it has a receiver or manager appointed to any of its assets; or
- (f) it is otherwise unable to pay its debts when they fall due; or
- (g) something having a substantially similar effect to (a) to (g) happens in connection with that person under the law of any jurisdiction.

Listing Rules means the Listing Rules of ASX and any other applicable rules of ASX modified to the extent of any express written waiver by ASX.

Losses means all claims, demands, damages, losses, costs, expenses and liabilities.

Material Adverse Effect means a Specified Event which has, has had, or is reasonably likely to have, either individually or when aggregated with any Specified Events of a similar kind or category, the effect of:

- (a) the value of consolidated net assets of the MergCo Group (taken as a whole) being reduced by at least \$1,000,000 against what it would have been but for that Specified Event; or

- (b) the value of consolidated annual net profit after tax of the MergCo Group being reduced by at least \$200,000 against what it would have been but for that Specified Event,

but does not include a Specified Event:

- (c) occurring as a result of any matter, event or circumstance required or permitted by this document or the Scheme or the transaction contemplated by either;
- (d) arising as a result of any generally applicable change in law or governmental policy applicable to Australian business generally;
- (e) arising from changes in economic or business conditions (including interest rates) applicable to Australian business generally;
- (f) arising from a matter disclosed to ASX or in a publicly available document lodged with ASIC by MergCo or Disclosed to Buyer prior to the date of this document;
- (g) occurring with the written consent of Buyer;
- (h) resulting from a change in generally accepted accounting principles or the interpretation of them; or
- (i) resulting from war, terrorism, civil unrest, act of God, lightning, storm, flood, bushfire, earthquake or explosion, cyclone, tidal wave, landslide, adverse weather conditions occurring on or after the date of this document.

MergCo Board means the board of directors of the MergCo.

MergCo Constitution means the constitution of the MergCo.

MergCo Group means the MergCo and its Subsidiaries.

MergCo Indemnified Parties means the MergCo, its officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

MergCo Information means all information contained in the Scheme Booklet other than the Buyer Information and the Independent Expert's Report.

MergCo Prescribed Event means, except to the extent contemplated by this document or the Scheme, any of the following events:

- (a) **(conversion)** the MergCo converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** the MergCo or another member of the MergCo Group resolves to reduce its share capital in any way or resolves to reclassify, combine, split or redeem or repurchase directly or indirectly any of its shares;

- (c) **(buy-back)** the MergCo or another member of the MergCo Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)** the MergCo makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for the Permitted Dividend or as otherwise approved in writing by Buyer Parent;
- (e) **(issuing or granting shares or options)** any member of the MergCo Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make such an issue or grant such an option,

in each case other than as Disclosed to Buyer Parent, to a person who is not a MergCo or wholly-owned entity of the MergCo Group, subject to clause 4.6 of this document;
- (f) **(securities or other instruments)** any member of the MergCo Group issues or agrees to issue securities or other instruments convertible into shares or debt securities in each case to a person who is not a MergCo or wholly-owned entity of the MergCo Group;
- (g) **(constitution)** the MergCo adopts a new constitution or modifies or repeals its constitution or a provision of it, other than as agreed between the MergCo and Buyer;
- (h) **(disposals)** any member of the MergCo Group disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (i) **(acquisitions, disposals or tenders)** any member of the MergCo Group
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for,

any business, assets, entity or undertaking the value of which exceeds \$1,000,000 other than in the ordinary course of business (individually or in aggregate);
- (j) **(Encumbrances)** any member of the MergCo Group creates, or agrees to create, any Encumbrance over, or declares itself the trustee of, the whole or a substantial part of its business or property;
- (k) **(employment arrangements)** any member of the MergCo Group:
 - (i) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees whose total employment cost exceeds \$100,000;
 - (ii) accelerates the rights of any of its directors or employees to

compensation or benefits of any kind (including under any MergCo executive or employee share plans) whose total employment cost exceeds \$100,000; or

- (iii) pays any of its directors or employees whose total employment cost exceeds \$100,000 a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this document);

(l) **(commitments and settlements)** any member of the MergCo Group:

- (i) enters into any contract or commitment involving revenue or expenditure of more than \$1,000,000 over the term of the contract or commitment, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
- (ii) (without limiting the above) enters into any contract or commitment relating to the same matter or project involving revenue or expenditure which exceeds \$1,000,000 in aggregate over the term of the contracts or commitments, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
- (iii) terminates or amends in a material manner any contract material to the conduct of the MergCo Group's business or which involves revenue or expenditure of more than \$1,000,000 over the term of the contract, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into; or
- (iv) accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$1,000,000) less than the full compensation due to the MergCo or a Subsidiary of the MergCo;

(m) **(Insolvency)** the MergCo or any of its Related Bodies Corporate becomes Insolvent,

provided that a MergCo Prescribed Event listed in items (a) to (n) will not occur where the MergCo has first consulted with Buyer in relation to the event and Buyer has approved the proposed event.

MergCo Representations and Warranties means the representations and warranties of the MergCo set out in clause 12.1.

MergCo Share means an ordinary fully paid share in the capital of the MergCo.

MergCo Shareholder means each person registered in the Register as a holder of MergCo Shares.

MergCo Board means the board of directors of the MergCo.

MergCo Constitution means the constitution of the MergCo.

MergCo Group means the MergCo and its Subsidiaries.

MergCo Indemnified Parties means the MergCo, its officers, employees, and advisers and its Related Bodies Corporate and the officers, employees and advisers of each of its Related Bodies Corporate.

MergCo Information means all information contained in the Scheme Booklet other than the Buyer Information and the Independent Expert's Report.

MergCo Prescribed Event means, except to the extent contemplated by this document or the Scheme, any of the following events:

- (n) **(conversion)** the MergCo converts all or any of its shares into a larger or smaller number of shares;
- (o) **(reduction of share capital)** the MergCo or another member of the MergCo Group resolves to reduce its share capital in any way or resolves to reclassify, combine, split or redeem or repurchase directly or indirectly any of its shares;
- (p) **(buy-back)** the MergCo or another member of the MergCo Group:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (q) **(distribution)** the MergCo makes or declares, or announces an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for the Permitted Dividend or as otherwise approved in writing by Buyer Parent;
- (r) **(issuing or granting shares or options)** any member of the MergCo Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make such an issue or grant such an option,

in each case other than as Disclosed to Buyer Parent, to a person who is not a MergCo or wholly-owned entity of the MergCo Group, subject to clause 4.6 of this document;
- (s) **(securities or other instruments)** any member of the MergCo Group issues or agrees to issue securities or other instruments convertible into shares or debt securities in each case to a person who is not a MergCo or wholly-owned entity of the MergCo Group;
- (t) **(constitution)** the MergCo adopts a new constitution or modifies or repeals its constitution or a provision of it, other than as agreed between the MergCo and Buyer;
- (u) **(disposals)** any member of the MergCo Group disposes, or agrees to dispose of the whole or a substantial part of its business or property;
- (v) **(acquisitions, disposals or tenders)** any member of the MergCo Group
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for,

any business, assets, entity or undertaking the value of which exceeds \$1,000,000 other than in the ordinary course of business (individually or in

aggregate);

- (w) **(Encumbrances)** any member of the MergCo Group creates, or agrees to create, any Encumbrance over, or declares itself the trustee of, the whole or a substantial part of its business or property;
- (x) **(employment arrangements)** any member of the MergCo Group:
 - (i) increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors or employees whose total employment cost exceeds \$100,000;
 - (ii) accelerates the rights of any of its directors or employees to compensation or benefits of any kind (including under any MergCo executive or employee share plans) whose total employment cost exceeds \$100,000; or
 - (iii) pays any of its directors or employees whose total employment cost exceeds \$100,000 a termination or retention payment (otherwise than in accordance with an existing contract in place at the date of this document);
- (y) **(commitments and settlements)** any member of the MergCo Group:
 - (i) enters into any contract or commitment involving revenue or expenditure of more than \$1,000,000 over the term of the contract or commitment, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
 - (ii) (without limiting the above) enters into any contract or commitment relating to the same matter or project involving revenue or expenditure which exceeds \$1,000,000 in aggregate over the term of the contracts or commitments, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into;
 - (iii) terminates or amends in a material manner any contract material to the conduct of the MergCo Group's business or which involves revenue or expenditure of more than \$1,000,000 over the term of the contract, excluding honey sale agreements entered into in the ordinary course of business and consistent with transactions previously entered into; or
 - (iv) accepting as a settlement or compromise of a material matter (relating to an amount in excess of \$1,000,000) less than the full compensation due to the MergCo or a Subsidiary of the MergCo;
- (z) **(Insolvency)** the MergCo or any of its Related Bodies Corporate becomes Insolvent,

provided that a MergCo Prescribed Event listed in items (a) to (n) will not occur where the MergCo has first consulted with Buyer in relation to the event and Buyer has approved the proposed event.

MergCo Representations and Warranties means the representations and warranties of the MergCo set out in clause 12.1.

MergCo Share means an ordinary fully paid share in the capital of the MergCo.

MergCo Shareholder means each person registered in the Register as a holder of MergCo Shares.

Outgoing Director means the nominated directors of the MergCo in office and the nominated directors of the Buyer in office immediately before the Implementation Date that will resign or retire on Completion.

Proposed Transaction means the proposed acquisition of the MergCo Shares by Buyer by way of a scheme of arrangement.

PPSA means the *Personal Property Securities Act 2009* (Cth).

Record Date means 5.00pm on the third Business Day following the Effective Date or such other date as the MergCo and Buyer agree.

Register means the share register of the MergCo and **Registry** has a corresponding meaning.

Regulator's Draft means the draft of the Scheme Booklet in a form acceptable to both parties which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act.

Regulatory Authority includes:

- (a) ASX, ACCC, ASIC and the Takeovers Panel;
- (b) TSXV;
- (c) a government or governmental, semi-governmental or judicial entity or authority;
- (d) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (e) any regulatory organisation established under statute.

Reimbursement Fee means \$100,000.

Related Body Corporate has the meaning it has in the Corporations Act.

Related Party has the meaning given in the Corporations Act.

Relevant Interest has the meaning it has in sections 608 and 609 of the Corporations Act.

Representative means, in relation to a party:

- (a) a Related Body Corporate;
- (b) a director, officer or employee of the party or any of the party's Related Bodies Corporate; or
- (c) an adviser to the party or any of the party's Related Bodies Corporate, where an "adviser" means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity and who has been engaged by that entity.

Scheme means the scheme of arrangement under part 5.1 of the Corporations Act under which the Scheme Shares will be transferred to Buyer substantially in the form of Annexure B together with any amendment or modification made pursuant to section 411(6) of the Corporations Act.

Scheme Booklet means, in respect of the Scheme, the information booklet to be approved by the Court and despatched to Scheme Shareholders which includes the Scheme, an explanatory statement complying with the requirements of the Corporations Act and notices of meeting and proxy forms.

Scheme Consideration means the consideration payable by Buyer for the transfer of Scheme Shares held by a Scheme Participant to Buyer, as defined in the Scheme.

Scheme Meeting means the meeting to be convened by the Court at which Scheme Shareholders will vote on the Scheme.

Scheme Participants means each person who is a Scheme Shareholder at the Record Date.

Scheme Share means all MergCo Shares.

Scheme Shareholder means the holder of Scheme Shares.

Scrip Consideration means one Buyer Share for each three (3) Scheme Share in the Seller respect of which a Scheme Participant.

Second Court Date means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

Specified Event means an event, occurrence or matter (including the announcement or commencement of a Claim, dispute, litigation or a material enforcement action or investigation by a Regulatory Authority) that:

- (a) occurs after the date of this document; or
- (b) occurs before the date of this document but is only announced or publicly disclosed after the date of this document.

Subsidiary of an entity means another entity which:

- (a) is a subsidiary of the first entity within the meaning of the Corporations Act; and
- (b) is part of a consolidated group constituted by the first entity and the entities it is required to include in the consolidated financial statements it prepares, or would be if the first entity was required to prepare consolidated financial statements.

Superior Proposal means a bona fide written proposal of the kind referred to in the definition of "Competing Transaction" which the MergCo Board, acting in good faith, and after taking advice from its legal and financial advisers, determines is:

- (a) reasonably capable of being completed taking into account all aspects of the Competing Transaction, including its conditions; and
- (b) more favourable to Scheme Shareholders than the Scheme, taking into account all aspects of the Competing Transaction, including the identity, reputation and financial condition of the person making such proposal, legal, regulatory and financial matters.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (a) the chief executive officer of MergCo and the Chairman of the Buyer; and
- (b) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (a) Confidentiality and Exclusivity Agreement;
- (b) Scheme;
- (c) Scheme Booklet; and
- (d) any other document in connection with the Scheme that Buyer and MergCo agree should be regarded as a 'Transaction Document'.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (c) the chief executive officer of MergCo and the Chairman of the Buyer; and
- (d) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (e) Confidentiality and Exclusivity Agreement;
- (f) Scheme;
- (g) Scheme Booklet; and
- (h) any other document in connection with the Scheme that Buyer and MergCo agree should be regarded as a 'Transaction Document'.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (e) the chief executive officer of MergCo and the Chairman of the Buyer; and
- (f) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (i) Confidentiality and Exclusivity Agreement;
- (j) Scheme;
- (k) Scheme Booklet; and
- (l) any other document in connection with the Scheme that Buyer and MergCo agree should be regarded as a 'Transaction Document'.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (g) the chief executive officer of MergCo and the Chairman of the Buyer; and
- (h) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (m) Confidentiality and Exclusivity Agreement;
- (n) Scheme;
- (o) Scheme Booklet; and
- (p) any other document in connection with the Scheme that Buyer and MergCo agree should be regarded as a 'Transaction Document'.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (i) the chief executive officer of MergCo and the Chairman of the Buyer; and
- (j) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (q) Confidentiality and Exclusivity Agreement;
- (r) Scheme;
- (s) Scheme Booklet; and
- (t) any other document in connection with the Scheme that Buyer and MergCo agree should be regarded as a 'Transaction Document'.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (k) the chief executive officer of MergCo and the Chairman of the Buyer; and
- (l) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (u) Confidentiality and Exclusivity Agreement;
- (v) Scheme;
- (w) Scheme Booklet; and
- (x) any other document in connection with the Scheme that Buyer and MergCo agree should be regarded as a 'Transaction Document'.

Tax Act means the *Income Tax Assessment Act 1936* (Cth) or the *Income Tax Assessment Act 1997* (Cth), or both as the context requires.

Timetable means the timetable set out in Schedule 1 or as otherwise agreed between the parties.

Transaction Implementation Committee means a committee to be made up of:

- (m) the chief executive officer of MergCo and the Chairman of the Buyer; and
- (n) such other persons as the parties may agree from time to time.

Transaction Document means this document and each of the following:

- (y) Confidentiality and Exclusivity Agreement;
- (z) Scheme;
- (aa) Scheme Booklet; and
- (bb) any other document in connection with the Scheme that Buyer and MergCo agree should be regarded as a 'Transaction Document'.

TSXV means the TSX Venture Exchange.

TSXV Policies means the rules and policies of the TSXV, including the policies in the Corporate Finance Manual of the TSXV, modified to the extent of any express written waiver by TSXV.

1.2 General interpretation

Headings and labels used for definitions are for convenience only and do not affect interpretation. Unless the contrary intention appears, in this document:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a document includes any agreement or other legally enforceable arrangement created by it (whether the document is in the form of an agreement, deed or otherwise);

- (c) a reference to a document also includes any variation, replacement or novation of it;
- (d) the meaning of general words is not limited by specific examples introduced by “including”, “for example”, “such as” or similar expressions;
- (e) a reference to “**person**” includes an individual, a body corporate, a partnership, a joint venture, an unincorporated association and an authority or any other entity or organisation;
- (f) a reference to a particular person includes the person’s executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (g) a reference to a time of day is a reference to Sydney time;
- (h) a reference to dollars, \$ or A\$ is a reference to the currency of Australia;
- (i) a reference to “**law**” includes common law, principles of equity and legislation (including regulations);
- (j) a reference to any legislation includes regulations under it and any consolidations, amendments, re-enactments or replacements of any of them;
- (k) a reference to “**regulations**” includes instruments of a legislative character under legislation (such as regulations, rules, by-laws, ordinances and proclamations);
- (l) a reference to a group of persons is a reference to any 2 or more of them jointly and to each of them individually; and
- (m) a reference to any thing (including an amount) is a reference to the whole and each part of it.

1.3 Inconsistent agreements

If a provision of this document is inconsistent with a provision of another Transaction Document, the provisions of this document prevail to the extent of the inconsistency.

1.4 Confidentiality and Exclusivity Agreement

The Confidentiality and Exclusivity Agreement continues to have effect as at the date of this document, with the exception of the exclusivity provisions in clause 14 of the Confidentiality and Exclusivity Agreement which cease to have effect and are replaced with the exclusivity provisions in clause 10 of this document.

2 Agreement to propose and implement Scheme

2.1 MergCo to propose Scheme

The MergCo agrees to propose the Scheme on and subject to the terms and conditions of this document.

2.2 Buyer

Buyer must procure that Buyer complies with all relevant obligations of Buyer under this document and the Scheme.

2.3 Agreement to implement Scheme

The parties agree to implement the Scheme on the terms and conditions of this document.

3 Conditions Precedent

3.1 Conditions Precedent

Subject to this clause 3, the Scheme will not become Effective, and the obligations of Buyer under clause 4.3 are not binding, until each of the following Conditions Precedent are satisfied or waived to the extent and in the manner set out in this clause.

Condition Precedent		Party entitled to benefit	Party responsible
(a)	(Shareholder approval) Scheme Shareholders approve the Scheme by the requisite majorities in accordance with the Corporations Act.	Cannot be waived	MergCo
(b)	(Court approval) the Court approves the Scheme in accordance with section 411(4)(b) of the Corporations Act.	Cannot be waived	MergCo
(c)	(Regulatory intervention) no Court or Regulatory Authority has issued or taken steps to issue an order, temporary restraining order, preliminary or permanent injunction, decree or ruling or taken any action enjoining, restraining or otherwise imposing a legal restraint or prohibition preventing the Scheme and no such order, decree, ruling, other action or refusal is in effect as at 8.00am on the Second Court Date.	Both	Both
(d)	(No Material Adverse Effect) no Material Adverse Effect occurs between the date of this document and 8.00am on the Second Court Date.	Both Parties	Both
(e)	No Superior Proposal being made in respect of the Seller occurs between the date of this document and 8.00am on the Second Court Date.;	Seller	Seller
(f)	No takeover offer nor Superior Proposal has been made for the Buyer occurs between the date of this document and 8.00am on the Second Court Date;	Buyer	Buyer
(g)	(Delisting) The Buyer shall have delisted its common shares from trading on the TSXV as soon as possible but no later than completion.	Buyer	Buyer
(h)	(Shareholder Approval) the shareholders of the Buyer shall have approved the Proposed Transactions, if required pursuant to applicable laws or the TSXV Policies.	Cannot be waived	Buyer

3.2 Reasonable endeavours

Each of the MergCo and Buyer agree to use reasonable endeavours to procure that:

- (a) each of the Conditions Precedent for which it is a party responsible (as noted in clause 3.1):
 - (i) is satisfied as soon as practicable after the date of this document; and
 - (ii) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
- (b) there is no occurrence within its control or the control of its Subsidiaries that would prevent the Condition Precedent for which it is a party responsible being satisfied.

For the avoidance of doubt, the MergCo will not be in breach of its obligations under clause 3.2(a) or clause 3.2(b) to the extent that it takes an action or omits to take an action in response to a Competing Transaction as permitted by clause 10.

3.3 Waiver of Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by the party or parties entitled to the benefit of that Condition Precedent as noted in clause 3.1 and will be effective only to the extent specifically set out in that waiver.
- (b) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 3.3 may do so in its absolute discretion.
- (c) If either the MergCo or Buyer waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause 3.3, then:
 - (i) subject to clause 3.3(c)(ii), that waiver precludes that party from suing the other for any breach of this document arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but
 - (ii) if the waiver of the Condition Precedent is itself conditional and the other party:
 - (A) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with clause 3.3(c)(i); or
 - (B) does not accept the condition, the Condition Precedent has not been waived.
- (d) A waiver of a breach or non-fulfilment in respect of a Condition Precedent does not constitute:
 - (i) a waiver of a breach or non-fulfilment of any other Condition Precedent arising from the same event; or
 - (ii) a waiver of a breach or non-fulfilment of that Condition Precedent resulting from any other event.

3.4 Notices in relation to Conditions Precedent

Each party must:

- (a) **(notice of satisfaction)** promptly notify the other of satisfaction of a

Condition Precedent and must keep the other informed of any material development of which it becomes aware that may lead to the breach or non-fulfilment of a Condition Precedent;

- (b) **(notice of failure)** immediately give written notice to the other of a breach or non-fulfilment of a Condition Precedent, or of any event which will prevent a Condition Precedent being satisfied; and
- (c) **(notice of waiver)** upon receipt of a notice given under clause 3.4(b), give written notice to the other party as soon as possible (and in any event before 5.00pm on the day before the Second Court Date) as to whether or not it waives the breach or non-fulfilment of any Condition Precedent resulting from the occurrence of that event, specifying the Condition Precedent in question.

3.5 Consultation on failure of Condition Precedent

If:

- (a) there is a breach or non-fulfilment of a Condition Precedent which is not waived in accordance with this document by the time or date specified in this document for the satisfaction of the Condition Precedent;
- (b) there is an act, failure to act or occurrence which will prevent a Condition Precedent being satisfied by the time or date specified in this document for the satisfaction of the Condition Precedent (and the breach or non-fulfilment which would otherwise occur has not already been waived in accordance with this document); or
- (c) the Scheme has not become Effective by the End Date,

the parties must consult in good faith with a view to determine whether:

- (d) the Scheme may proceed by way of alternative means or methods;
- (e) to extend the relevant time for satisfaction of the Condition Precedent or to adjourn or change the date of an application to the Court; or
- (f) to extend the End Date.

3.6 Failure to agree

If the parties are unable to reach agreement under clause 3.5 within 5 Business Days (or any shorter period ending at 5.00pm on the day before the Second Court Date):

- (a) subject to clause 3.6(b), either party may terminate this document (and that termination will be in accordance with clause 13.1(g)(i)); or
- (b) if a Condition Precedent may be waived and exists for the benefit of one party only, that party only may waive that Condition Precedent or terminate this document (and that termination will be in accordance with clause 13.1(g)(ii)),

in each case before 8.00am on the Second Court Date. A party will not be entitled to terminate this document under this clause if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of a breach of this document by that party or a deliberate act or omission of that party.

4 Outline of Scheme

4.1 Scheme

The MergCo must propose a scheme of arrangement under which:

- (a) all of the Scheme Shares held by Scheme Participants at the Record Date will be transferred to Buyer; and
- (b) each Scheme Participant will be entitled to receive the Scheme Consideration.

4.2 Scheme Consideration

Subject to and in accordance with this document and the Scheme, each Scheme Participant is entitled to receive the Scheme Consideration in respect of each Scheme Share held by that Scheme Participant.

4.3 Issue of Buyer Shares

- (a) Subject to the Scheme becoming Effective, Buyer must issue Buyer Shares to the Scheme Participants
- (b) The Buyer must call a shareholder meeting if required to approve this Scheme and all directors would be required to recommend that the Buyer's shareholders vote in favour of any resolution required to approve this Scheme and undertake to personal vote in favour of any shares in the Buyer that they directly control.
- (c) Each Buyer Share issued as Scrip Consideration or pursuant to the Buyer Share Offer will:
 - (i) rank equally in all respects with each other Buyer Share and will have the rights set out in the Buyer Constitution and the Buyer Shareholders Deed; and
 - (ii) be fully paid and free from any mortgage, charge, lien, encumbrance or other security interest.
- (d) To facilitate the issue of Buyer Shares to Scheme Participants, the MergCo must procure the provision to Buyer of, a complete copy of the Register as at the Record Date (which must include the name, address and registered holding of each Scheme Participant as at the Record Date), within two Business Days after the Record Date. The details and information to be provided under this clause must be provided in such form as Buyer may reasonably require.

5 Implementation

5.1 General obligations

The MergCo and Buyer must each:

- (a) use all reasonable endeavours and commit reasonably necessary resources; and
- (b) procure that its officers and advisers work in good faith and in a timely and co-operative fashion with the other party,

to produce the Scheme Booklet and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable.

5.2 MergCo's obligations

Subject to any change of recommendation by the MergCo Board that is permitted by clause 7, the MergCo must take all reasonable steps to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(announce directors' recommendation)** following execution of this document, announce, in a form agreed between the MergCo and Buyer (on the basis of statements made to the MergCo by each member of the MergCo Board) that:
 - (i) the MergCo Board intends to unanimously recommend to Scheme Participants that the Scheme be approved; and
 - (ii) each MergCo Board member who holds Scheme Shares, intends to vote Scheme Shares that he or she directly or indirectly owns or controls in favour of the Scheme,subject to:
 - (iii) the Independent Expert concluding, and continuing to conclude, that the Scheme is fair and reasonable to, and in the best interests of, the Scheme Shareholders; and
 - (iv) there being no Superior Proposal.
- (b) **(preparation of Scheme Booklet)** subject to clause 6.2(e)(i), as soon as practicable after the date of this document, prepare and despatch the Scheme Booklet:
 - (i) in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules; and
 - (ii) which includes a statement by the MergCo Board:
 - (A) unanimously recommending that Scheme Shareholders vote in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to, and in the best interests of, Scheme Shareholders and there being no Superior Proposal; and
 - (B) that each MergCo Board member who holds Scheme Shares intends to vote Scheme Shares that he or she directly or indirectly owns or controls in favour of the Scheme subject to the Independent Expert continuing to conclude that the Scheme is fair and reasonable to, and in the best interests of, Scheme Shareholders and there being no Superior Proposal;
- (c) **(Independent Expert)** promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable the Independent Expert to prepare its report for the Scheme Booklet as soon as practicable;
- (d) **(section 411(17)(b) statement)** apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act stating that ASIC has no objection to the Scheme;

- (e) **(Mergco Information)** prepare and promptly provide to the Buyer for inclusion in the Information Circular to be prepared by the Buyer in relation to the Proposed Transaction, if any, all information concerning Mergco as may be required in accordance with all applicable laws;
- (f) **(further Mergco Information)** promptly provide to the Buyer any further or new Buyer Information as may arise after the Information Circular, if any, has been sent to Buyer Shareholders and until the date of the Buyer Meeting, if any, as may be necessary to ensure that the information contained in the Information Circular relating to Mergco is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission);
- (g) **(consultation with Buyer)** consult with Buyer as to the content and presentation of:
 - (i) the Scheme Booklet, which includes:
 - (A) allowing Buyer a reasonable opportunity to review and make comments on successive drafts of the Scheme Booklet (accepting that any review of the Independent Expert's Report is limited to review for factual accuracy of those parts that include information relating to Buyer);
 - (B) taking any reasonable comments made by Buyer into account in good faith when producing a revised draft of the Scheme Booklet;
 - (C) providing to Buyer a revised draft of the Scheme Booklet within a reasonable time before the draft of the Scheme Booklet which is provided to ASIC for approval pursuant to section 411(2) of the Corporations Act is finalised; and
 - (D) obtaining Buyer's consent to the inclusion of Buyer Information (including in respect of the form and context in which Buyer Information appears in the Scheme Booklet); and
 - (ii) documents required for the purposes of the Court hearings held for the purposes of sections 411(1) and 411(4)(b) of the Corporations Act in relation to the Scheme (including originating processes, affidavits, submissions and draft minutes of Court orders), and consider in good faith any comments on, or suggested amendments to, those documents from Buyer prior to filing those documents with the Court;
- (h) **(lodgment of Regulator's Draft)**
 - (i) no later than 14 days before the First Court Date, provide an advanced draft of the Scheme Booklet ("**Regulator's Draft**") to ASIC for its review for the purposes of section 411(2) of the Corporations Act, and provide a copy of the Regulator's Draft to Buyer immediately thereafter; and
 - (ii) keep Buyer reasonably informed of any material issues raised by ASIC in relation to the Regulator's Draft and, where practical to do so, consult with Buyer in good faith prior to taking any steps or actions to address those material issues (provided that, where those issues relate to Buyer Information, the MergCo must not take any steps to address them without Buyer's prior written consent, not to be

unreasonably withheld);

- (i) **(Court application)** apply to the Court for an order under section 411(1) of the Corporations Act directing the MergCo to convene the Scheme Meeting;
- (j) **(send Scheme Booklet)** send the Scheme Booklet to Scheme Shareholders as soon as practicable after the Court orders the MergCo to convene the Scheme Meeting;
- (k) **(Scheme Meeting)** convene the Scheme Meeting to agree to the Scheme in accordance with any orders made by the Court pursuant to section 411(1) of the Corporations Act;
- (l) **(director's voting)** use its reasonable endeavours to procure that each member of the MergCo Board votes any Scheme Shares in which they have a Relevant Interest in favour of the Scheme unless there has been a change of recommendation as permitted under clause 7.1;
- (m) **(Court approval)** subject to all Conditions Precedent, other than paragraph (b) in clause 3.1 being satisfied or waived in accordance with this document, apply to the Court for an order approving the Scheme in accordance with sections 411(4)(b) and 411(6) of the Corporations Act;
- (n) **(Conditions Precedent certificate)** at the hearing on the Second Court Date, provide to the Court (through its counsel):
 - (i) a certificate confirming (in respect of matters within the MergCo's knowledge) whether or not the Conditions Precedent for which it is responsible, as noted in clause 3.1 (other than paragraph (b)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to Buyer by 5.00pm on the Business Day prior to the Second Court Date; and
 - (ii) any certificate provided to it by Buyer under clause 6.3(f);
- (o) **(lodge copy of Court order)** lodge with ASIC an office copy of the Court order approving the Scheme as approved by the Scheme Shareholders at the Scheme Meeting in accordance with section 411(10) of the Corporations Act no later than 5pm on the Business Day after that office copy is received (or any later date agreed in writing by Buyer Parent);
- (p) **(Register)** close the Register as at the Record Date to determine the identity of Scheme Participants and their entitlements to Scheme Consideration;
- (q) **(instruments of transfer)** subject to Buyer and Buyer satisfying their obligations under clause 4.3, on the Implementation Date:
 - (i) execute proper instruments of transfer and effect the transfer of Scheme Shares to Buyer in accordance with the Scheme; and
 - (ii) register all transfers of Scheme Shares held by Scheme Participants to Buyer;
- (r) **(listing)** take all reasonable steps to maintain the MergCo's listing on ASX, notwithstanding any suspension of the quotation of the MergCo Shares, up to and including the date referred to in clause 6.2(q); and
- (s) **(other steps)** do all other things necessary to give effect to the Scheme and

the orders of the Court approving the Scheme.

5.3 Buyer's obligations

Buyer must take all commercially reasonable steps to assist the MergCo to implement the Scheme on a basis consistent with this document and as soon as reasonably practicable, and in particular must:

- (a) **(announce directors' recommendation)** following execution of this document, announce, in a form agreed between the MergCo and Buyer (on the basis of statements made to the Buyer by each member of the Buyer Board) that:
 - (i) the Buyer Board intends to unanimously recommend to its shareholders vote in favour of any resolution required to enable the Scheme; and
 - (ii) each Buyer Board member who holds Buyers Shares, intends to vote Buyers Shares that he or she directly or indirectly owns or controls in favour of the Scheme,

subject to:

- (iii) there being no Superior Proposal.
- (b) **(Buyer Information)** prepare and promptly provide to the MergCo for inclusion in the Scheme Booklet the Buyer Information (in accordance with all applicable laws, including the Corporations Act, Corporations Regulations, ASIC Regulatory Guide 60 and the Listing Rules) and consent to the inclusion of that information in the Scheme Booklet;
- (c) **(further Buyer Information)** promptly provide to the MergCo any further or new Buyer Information as may arise after the Scheme Booklet has been sent to Scheme Shareholders and until the date of the Scheme Meeting as may be necessary to ensure that the Buyer Information contained in the Scheme Booklet is not, having regard to applicable disclosure requirements, false, misleading or deceptive in any material respect (including because of any material omission) and to ensure that there would be no breach of clause 12.3(g) if it applied as at the date on which such further or new Buyer Information arose;
- (d) **(Independent Expert information)** provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (e) **(representation)** procure that it is represented by counsel at the Court hearings convened for the purposes of section 411(4)(b) of the Corporations Act, at which, through its counsel, Buyer must undertake, and procure that Buyer undertake (if requested by the Court) to do all things and take all steps within its power as may be necessary in order to ensure the fulfilment of its obligations under this document and the Scheme;
- (f) **(Conditions Precedent certificate)** before 8.00am on the Second Court Date, provide to the MergCo for provision to the Court at the hearing on that date a certificate confirming (in respect of matters within Buyer's knowledge) whether or not the Conditions Precedent for which Buyer is responsible, as noted in clause 3.1 (other than paragraph (b)), have been satisfied or waived in accordance with clause 3, a draft of which must be provided to the MergCo by 5.00pm on the Business Day prior to the Second Court Date;
- (g) **(Share transfer)** if the Scheme becomes Effective, procure that Buyer accept a

transfer of the MergCo Shares as contemplated by clause 4.3(a);

- (h) **(listing)** take all reasonable steps to maintain the Buyer's listing on ASX, notwithstanding any suspension of the quotation of the Buyer Shares;
- (i) **(Buyer Meeting)** convene and hold the Buyer Meeting to approve the Proposed Transaction, if required pursuant to applicable laws or the TSXV Policies;
- (j) The Buyer will issue up to 1,000,000 shares in the Buyer for certain directors of the Buyer on completion.
- (k) The Buyer will give notice to Shaun Maskerine and any other contractor relevant notice, as required, that their services shall be not required on completion.
- (l) **(Scheme Consideration)** if the Scheme becomes Effective, pay or procure the payment of the Scheme Consideration in the manner and amount contemplated by clause 4.3(b) and the terms of the Scheme; and
 - (i) To appoint the directors nominated by the Seller pursuant to clause 7;
 - (ii) Delist its shares from the TSX Venture Exchange as soon as possible but not later than the closing of the transactions – so that shares are only listed on the ASX;
 - (iii) The Buyer and Seller agrees that they will establish a new business to be called Pure Gas that will investigate the feasibility of making Hydrogen and Graphite from Methane.
 - (iv) will issue shares to the directors of the Seller in lieu of director's fees (subject to shareholder approval) and accordance with their contracts agreed by the Seller. The amount of shares issued will be provided by a formula of the VWAP of the Buyer's share Price.

5.4 Scheme Booklet responsibility statement

The responsibility statement to appear in the Scheme Booklet, in a form to be agreed by the parties, will contain words to the effect of:

- (a) the MergCo has prepared, and is responsible for, the content of the Scheme Booklet other than, to the maximum extent permitted by law, the Buyer Information, the Independent Expert's Report or any other report or letter issued to the MergCo by a third party; and
- (b) Buyer has prepared, and is responsible for, the Buyer Information in the Scheme Booklet (and no other part of the Scheme Booklet).

5.5 Verification

Each party must undertake appropriate verification processes for the information supplied by that party in the Scheme Booklet.

5.6 Conduct of Court proceeding

The MergCo and Buyer are entitled to separate representation at all Court proceedings relating to the Scheme. This document does not give the MergCo or Buyer any right or power to give undertakings to the Court for or on behalf of the other party without that party's written consent. The MergCo must give, and Buyer must procure that Buyer give, all undertakings to the Court in all Court proceedings which are reasonably required to obtain Court approval and confirmation of the Scheme as contemplated by this document.

5.7 Appeal process

If the Court refuses to make orders convening the Scheme Meeting or approving the Scheme, the MergCo, and Buyer must, appeal the Court's decision to the fullest extent possible except to the extent that:

- (a) the parties agree otherwise; or
- (b) an independent senior counsel of the New South Wales bar advises that, in their opinion, an appeal would have no reasonable prospect of success before the End Date,

in which case either party may terminate this document in accordance with clause 13.1(g)(iii).

5.8 Transaction Implementation Committee

The parties must establish a Transaction Implementation Committee as soon as reasonably practical after the date of this document. The role of the Transaction Implementation Committee will be to act as a forum for consultation and planning by the parties to:

- (a) implement the Scheme; and
- (b) subject to clause 6.10, ensure the smooth transition of the management of the business and affairs of the MergCo Group to the Buyer following the implementation of the Scheme.

5.9 No partnership or joint venture

Subject to this document, nothing in this clause requires either party to act at the direction of the other. The business of each party will continue to operate independently from the other until the Implementation Date. The parties agree that nothing in this document constitutes the relationship of a partnership or a joint venture between the parties.

6 Board recommendation

6.1 Best endeavours MergCo

The MergCo must use its commercial reasonable best endeavours to procure that none of its directors withdraws, or changes their recommendation in favour of the Scheme, unless:

- (a) there is a Superior Proposal; or
- (b) the Independent Expert concludes that the Scheme is not fair and reasonable to, or not in the best interests of, the Scheme Shareholders, or adversely changes its previously given opinion that the Scheme is fair and reasonable to and in the best interests of the Scheme Shareholders; and
- (c) the MergCo Board determines in good faith and acting reasonably, having received expert advice in writing from its legal advisors that they must do so because of their fiduciary or statutory duties to Scheme Shareholders.

6.2 Best endeavours Buyer

The Buyer must use its commercially reasonable best endeavours to procure that none of its directors withdraws, or changes their recommendation in favour of the Scheme, unless:

- (a) there is a Superior Proposal; or

- (b) the Buyer Board determines in good faith and acting reasonably, having received expert advice in writing from its legal advisors that they must do so because of their fiduciary or statutory duties to their Shareholders.

7 Directors and employees

7.1 Release of MergCo and MergCo directors and officers

Subject to the Corporations Act, Buyer releases its rights, and agrees with the MergCo that it will not make a claim, against any MergCo Indemnified Party (other than the MergCo and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) any breach of any representations and warranties of the MergCo or any other member of the MergCo Group in this document; or
- (b) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except whether the MergCo Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 8.1 limits the Buyer Parent's rights to terminate this document under clause 13.1.

7.2 Release of Buyer and Buyer directors and officers

Subject to the Corporations Act, the MergCo releases its rights, and agrees with Buyer that it will not make a claim, against any Buyer Indemnified Party (other than Buyer and its Related Bodies Corporate) as at the date of this document and from time to time in connection with:

- (a) any breach of any representations and warranties of Buyer or any other member of the Buyer Group in this document; or
- (b) any disclosure containing any statement which is false or misleading whether in content or by omission,

whether current or future, known or unknown, arising at common law, in equity, under statute or otherwise, except whether the Buyer Indemnified Party has not acted in good faith or has engaged in wilful misconduct or fraud. Nothing in this clause 8.2 limits the MergCo's rights to terminate this document under clause 13.1.

7.3 Benefit for Buyer Indemnified Parties

Buyer receives and holds the benefit of this clause to the extent it relates to each Buyer Indemnified Party on behalf of each of them.

7.4 Benefit for MergCo Indemnified Parties

The MergCo receives and holds the benefit of this clause to the extent it relates to each MergCo Indemnified Party on behalf of each of them.

7.5 Appointment/retirement of Buyer directors

On the Implementation Date, the Buyer will do all things necessary to ensure the Buyer shall have the following board of directors:

- (a) Ron Prefontaine - Non-Executive Chairman;
- (b) Scott Brown - Managing Director and CEO;
- (c) Buyer nominee - Non-Executive Director; and
- (d) Seller nominee - Non-Executive Director.

The parties intend that on completion of the Plan, the directors noted above shall be remunerated as follows:

- (e) Ron Prefontaine (Non-Executive Chairman) - \$50,000 per annum paid in Buyer shares pursuant to a shareholder approved director fee plan, otherwise in cash;
- (f) Scott Brown (Managing Director and CEO) –employment will be transferred to the Buyer on the terms and conditions of the Employment Agreement in place on the date of this Agreement which will including any entitlements which he may be entitled to will also be transferred to the Buyer. The parties agree the change of control provisions of Mr Brown’s employment agreement will not apply to this proposal and will be modification of termination clause of Mr Brown’s employment at close;
- (g) Non-Executive Directors - \$30,000 per annum paid in Buyer shares pursuant to shareholder approved director fee plan, otherwise in cash; and
- (h) The Buyer and MergCo will ensure the Outgoing Directors will resign on or before the Implementation Date;
- (i) The parties agrees that the following employees or contractors of the Buyer and MergCo shall remain employed until 26 December 2020 on terms and conditions of the Employment/Consultancy Agreement in place on the date of this Agreement: David Hettich, Modisana Botsile and Ying Ou.
- (j) Any short or long term incentive plan approved by the Board of Buyer after completion of the Plan, and subsequently approved by the shareholders of the Buyer and cause the appointment of each Incoming Director to the MergCo Board; and

in each case, in accordance with the Buyer’s Constitution, the Corporations Act and the Listing Rules.

8 Conduct of business

8.1 Overview

From the date of this document up to and including the Implementation Date, the Buyer and MergCo must, conduct their respective businesses in the ordinary course and in substantially the same manner as previously conducted.

8.2 Specific obligations

Without limiting clause 9.1 and other than with the prior approval of MergCo or the Buyer(which approval must not be unreasonably withheld or delayed) or as required by this document, during the period contemplated by clause 9.1, use reasonable endeavours to ensure that the Buyer or MergCo:

- (a) **(business and assets)** maintains the condition of its business and assets;
- (b) **(officers and employees)** keeps available the services of its officers and employees;
- (c) **(change of control consents)** provides all assistance as may reasonably be

requested by the Buyer to obtain any change of control consents identified by the Buyer Group as being required in connection with the Proposed Transaction;

- (d) **(Claim)** promptly notifies Buyer of any material Claims (including, without limitation, before a court or Government Agency) which may be threatened, brought, asserted or commenced against any member of the MergCo Group or their directors or officers and consult with Buyer in relation to such matter to the extent reasonably required;
- (e) **(no MergCo Prescribed Event or Material Adverse Effect)** ensures that, between (and including) the date of this document and 8.00am on the Second Court Date, there is no occurrence reasonably within its control or the control of any MergCo Group entity that would constitute a MergCo Prescribed Event or Material Adverse Effect; and
- (f) **(notification)** promptly notifies the Buyer of anything of which it becomes aware that makes any of the MergCo Representations and Warranties false, inaccurate, misleading or deceptive in any material respect.

8.3 Prohibited actions

Other than with the prior approval of either the Seller or the Buyer (as the case may be) (which approval must not be unreasonably withheld or delayed) or as required by this document the MergCo must not, and must ensure that each member of the MergCo or the Buyer does not, during the period referred to in clause 9.1:

- (a) **(acquisitions, disposals and tenders);**
 - (i) acquire or dispose of;
 - (ii) agree to acquire or dispose of; or
 - (iii) offer, propose, announce a bid or tender for,

any business, assets or securities, entity or undertaking the value of which exceeds \$500,000 individually or \$1,000,000, other than in the ordinary course of business, in aggregate (outside transactions otherwise Disclosed or approved);
- (b) **(financial accommodation)** other than in the ordinary course of business, provide financial accommodation other than to members of the MergCo Group in excess of A\$100,000 (individually or in aggregate);
- (c) **(employment agreements)** other than in the ordinary course of business, increase the remuneration of (including with regard to superannuation benefits) or benefits provided to or pay any bonus (other than in accordance with existing arrangements and in the ordinary course) or issue any securities or options to, or otherwise vary the employment agreements with, any of its directors or employees;
- (d) **(termination payments)** pay a director, executive or employee a termination payment, other than as provided for in an existing employment contract in place as at the date of this document;
- (e) **(dividends)** announce, declare or pay any dividends other than the Permitted Dividend;
- (f) **(capital Raising)** No capital raising except the parties acknowledge, that between the End Date and the completion of the Acquisition or Plan,

either party may raise up to \$500,000 through the issue of shares and/or options. If this clause applies then the party proposing the issue shall promptly notify the other party of the proposed issue. In addition the Seller intends to issue about 1.3 Million shares to a supplier of the Seller before completion.

- (g) **(competing commitments)** other than in the ordinary course of business, entering into a contract or commitment restraining a member of either the Seller or the Buyer from competing with any person or conducting activities in any market;
- (h) **(tax)** do anything that would result in a change in the Buyer's or MergCo Consolidated Tax Group; or
- (i) **(agree)** agree to do any of the matters set out above.

8.4 Exceptions to conduct of business provisions

Nothing in this clause 8 restricts the ability of the MergCo to take any action which:

- (a) is expressly required or permitted by this document, the Scheme, or otherwise required by law or any order of a Court or Regulatory Authority;
- (b) has been Disclosed to Buyer prior to the date of this Agreement;
- (c) has been disclosed by the MergCo to ASX before the date of this document;
- (d) has been agreed to in writing by Buyer; or
- (e) is undertaken in the ordinary course of the MergCo Group's business.

8.5 Access to people and MergCo Information

Between the date of this document and the Implementation Date, so long as the MergCo Board considers the Scheme to be in the best interests of, the Scheme Shareholders, the MergCo must:

- (a) as soon as reasonably practicable provide Buyer and its officers and advisers with any documents, records, and other information (subject to any existing confidentiality obligations owed to third parties, or applicable privacy laws) reasonably requested by them; and
- (b) provide Buyer and its officers and advisers with reasonable access to the MergCo's officers and advisers which Buyer reasonably requires for the purposes of:
 - (i) understanding the MergCo's financial position (including its cash flow and working capital position), trading performance and management control systems;
 - (ii) implementing the Scheme;
 - (iii) preparing for carrying on the business of the MergCo following implementation of the Scheme; and
 - (iv) any other purpose which is agreed in writing between the parties.

provided that:

- (c) nothing in this clause requires the MergCo to provide information concerning the MergCo's consideration of the Scheme; and
- (d) compliance with any such request would not, in the MergCo's reasonable opinion, result in undue disruption to the MergCo Group's business.

9 Exclusivity

9.1 No existing discussions

- (a) The MergCo represents and warrants that, other than the discussions with Buyer and its Representatives in respect of the Scheme, it is not currently in negotiations or discussions in respect of any Competing Transaction with any person.
- (b) Buyer represents and warrants that, other than discussions with the MergCo and its Representatives in respect of the Proposed Transaction, neither they nor their Related Bodies Corporate are currently in negotiations or discussions in respect of any Competing Transaction with any person.

9.2 No-shop

During the Exclusivity Period, MergCo and Buyer must ensure that neither it nor any of its Representatives directly or indirectly:

- (a) solicits, invites, encourages or initiates any enquiries, negotiations or discussions; or
- (b) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a Competing Transaction.

9.3 No-talk

Subject to clause 9.5, during the Exclusivity Period, the MergCo and Buyer must ensure that neither it nor any of its Representatives:

- (a) negotiates or enters into; or
- (b) participates in negotiations or discussions regarding,

a Competing Transaction or any agreement, understanding or arrangement that may be reasonably expected to lead to a Competing Transaction, even if that person's Competing Transaction was not directly or indirectly solicited, invited, encouraged or initiated by the MergCo or any of its Representatives or even if the person has publicly announced the Competing Transaction.

9.4 Due diligence information

Subject to clauses [9.5 and 9.6], during the Exclusivity Period, the MergCo must ensure that neither it nor any of its Representatives in relation to a Competing Transaction:

- (a) enables any person other than BideCo to undertake due diligence investigations on any member of the MergCo Group or their businesses or operations; or
- (b) makes available to any person, or permits any person to receive, other than Buyer (in the course of due diligence investigations or otherwise) any non-

public information relating to any member of the MergCo Group or their businesses or operations.

9.5 Exceptions

Clause 9.3 and clause 9.4 and the obligation under clause 9.7(a) to inform the Buyer or MergCo respectively, of the identity of a potential Third Party Buyer or acquirer do not apply to the extent that they restrict the MergCo or Buyer from taking or refusing to take any action with respect to a genuine potential Competing Transaction (which was not solicited, invited, encouraged or initiated by them in contravention of clause 9.2) provided that they, through the board has determined, in good faith and acting reasonably that:

- (a) after consultation with its financial advisors, such a genuine Competing Transaction is, or could reasonably be considered to become, a Superior Proposal; and
- (b) after receiving legal advice from its external legal advisers (who must be reputable advisers experienced in transactions of this nature) that failing to respond to such a genuine Competing Transaction would be reasonably likely to constitute a breach of the MergCo or Buyer Board's fiduciary or statutory obligations.

9.6 Further exceptions

Nothing in this document prevents the MergCo or Buyer from:

- (a) continuing to make normal presentations to, and to respond to enquiries from, brokers, portfolio investors and analysts in the ordinary course in relation to the Scheme or its business generally; or
- (b) fulfilling its continuous disclosure requirements.

9.7 Notice of unsolicited approach

During the Exclusivity Period, MergCo or Buyer must promptly inform the other party if it or any of its Representatives:

- (a) receives any unsolicited approach with respect to any Competing Transaction and must disclose to the other party reasonable details of the Competing Transaction, including price and the identity of the potential Third Party Buyer or acquirer in respect of the actual, proposed or potential Competing Transaction.
- (b) receives any information relating to the MergCo or any of its Related Bodies Corporate or any of their businesses or operations or any request for access to the books or records of the MergCo or any of its Related Bodies Corporate, which the MergCo believes relates, or is likely to relate, to a current or future Competing Transaction.

9.8 Matching right

Without limiting clauses 10.2 and 10.3 but subject to clause 10.5, during the Exclusivity Period, either party must not enter into any legally binding agreement, arrangement or understanding (whether or not in writing) pursuant to which a Third Party, proposes or propose to undertake or give effect to an actual, proposed or potential Competing Transaction unless:

- (a) the relevant Board acting in good faith and in order to satisfy what the Board considers to be its statutory or fiduciary duties (having received advice from its external legal advisers), determines that the Competing Transaction would be or would be likely to be an actual, proposed or

potential Superior Proposal;

- (b) the relevant party has provided the other party with reasonable details of the actual, proposed or potential Competing Transaction, including price and the identity of the Third Party making the actual, proposed or potential Competing Transaction;
- (c) the relevant party has provided the other party at least 3 Business Days after the date of the provision of the information referred to in clause 9.8(b) to provide a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction; and
- (d) the other party has not submitted a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction by the expiry of the 3 Business Day period referred to in clause 9.8(c), which the relevant Board, acting reasonably and in good faith, determines would provide an equivalent or superior outcome for Scheme Shareholders as a whole compared with the Competing Transaction.

The parties acknowledge and agree that each successive modification of any actual, proposed or potential Competing Transaction will constitute a new actual, proposed or potential Competing Transaction for the purposes of the requirements under clause 9.8 and accordingly each relevant party must comply with clause 9.8(a) and clause 9.8(b) in respect of any new actual, proposed or potential Competing Transaction unless clauses 9.8(c) and 9.8(d) (inclusive) apply.

9.9 Buyer counterproposal

If one party proposes or announces amendments to the Proposed Transaction or a new proposal that constitute a matching or superior proposal to the terms of the actual, proposed or potential Competing Transaction ("**Buyer Counterproposal**") by the expiry of the 3 Business Day period referred to in clause 9.8(c), then the other party must procure considers the Buyer Counterproposal and if the relevant Board, acting reasonably and in good faith, determines that the Buyer Counterproposal would provide an equivalent or superior outcome for Scheme Shareholders as a whole compared with the Competing Transaction, taking into account all of the terms and conditions of the Buyer Counterproposal, then:

- (a) the MergCo and Buyer must use their best endeavours to agree the amendments to this document and, enter into, the transaction documents that are reasonably necessary to reflect the Buyer
- (b) Counterproposal and to implement the Buyer Counterproposal, in each case as soon as reasonably practicable; and
- (c) Each party must procure that each of the directors of their respective Company continues to recommend the Proposed Transaction (as modified by the Buyer Counterproposal) to Scheme Shareholders.

10 Reimbursement Fee

10.1 Background

This clause has been agreed in circumstances where:

- (a) the Plan will deliver significant benefits to both parties;
- (b) the Seller Termination Fee and the Buyer Termination Fee (defined below) are a genuine and reasonable pre-estimate of the costs and losses which Buyer and Seller expect to incur in connection with the Plan and it is not a pre-condition to the Seller Termination Fee or the Buyer Termination Fee that the

- Buyer or Target, respectively, has actually incurred those costs or losses or that it be able to prove that it has done so;
- (c) the Seller Termination Fee and Buyer Termination Fee are reasonable in the context of the Plan;
 - (d) should Seller or the majority of its directors accept or recommend a Superior Proposal or fail to undertake steps required to complete the transaction detailed in this Term Sheet, the Seller will be liable to immediately pay to Buyer a termination fee of \$100,000 in cash (Seller Termination Fee). In addition the Buyer may, at Buyer's sole discretion, terminate this Agreement by notice to Seller at any time after that acceptance or recommendation occurs; and
 - (e) should the Buyer advise the Seller it does not wish to proceed with the transaction outlined in the Term Sheet or the majority of the Buyer's directors fail to recommend the transaction to the shareholders of the Buyer (other than for breach of this Agreement or the Plan by the Seller) the Buyer will be liable to immediately pay to the Seller a termination fee of \$100,000 in cash (**Buyer Termination Fee**).

For the avoidance of doubt, the payment of the Seller Termination Fee releases the Seller and payment of the Buyer Termination Fee releases the Buyer from any claim or action by the Buyer or the Seller (respectively) for any damages, loss or expense arising from, or in connection with, the termination of this Agreement, and the Seller and Buyer agree that Termination Fees only apply after the executed of a binding Arrangement Agreement

Acquisition Proposal means, other than the transactions contemplated by this Agreement, any offer, proposal, expression of interest, or inquiry from any person (other than Buyer or any of its affiliates) relating to: (i) any acquisition or sale, direct or indirect, of: (a) the assets of Seller or any of its subsidiaries that, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Seller and its subsidiaries taken as a whole; or (b) 50% or more of any voting or equity securities of Seller or any of its subsidiaries whose assets, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Seller and its subsidiaries taken as a whole; (ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Seller and/or any subsidiary of Seller that, if consummated, would result in a person or group of persons beneficially owning 50% or more of any class of voting, equity or other securities or any other equity interests (including securities convertible into or exercisable or exchangeable for voting or equity securities) of Seller or any of its subsidiaries representing 50% or more of the consolidated assets of Seller and its subsidiaries, taken as a whole; or (iii) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Seller or any of its subsidiaries whose assets, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Seller and any of its subsidiaries taken as a whole, or

(iii) any acquisition or sale, direct or indirect, of: (a) the assets of Buyer or any of its subsidiaries that, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Buyer and its subsidiaries taken as a whole; or (b) 50% or more of any voting or equity securities of Buyer or any of its subsidiaries whose assets, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Buyer and its subsidiaries taken as a whole; (ii) any take-over bid, tender offer or exchange offer for any class of voting or equity securities of Buyer and/or any subsidiary of Buyer that, if consummated, would result in a person or group of persons beneficially owning 50% or more of any class of voting, equity or other securities or any other equity interests (including securities convertible into or exercisable or exchangeable for voting or equity securities) of Buyer or any of its subsidiaries representing 50% or more of the consolidated assets of Buyer and its subsidiaries, taken as a whole; or (iii) a plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution or other similar transaction involving Buyer or any of its subsidiaries whose assets, individually or in the aggregate, constitute 50% or more of the fair market value of the consolidated assets of Buyer and any

of its subsidiaries taken as a whole

Superior Proposal means any *bona fide*, unsolicited, written Acquisition Proposal made after the date of this Agreement by a person who is an arm's length third party (and that has not been procured or obtained in violation of this Agreement) and (i) is reasonably capable of being completed without undue delay, taking into account all financial, legal, funding, regulatory and other aspects of such proposal and the person making such proposal; (ii) that is made available to all holders of Seller Shares (**Seller Shareholders**) or to all holders of Buyers Shares (**Buyer Shareholders**) on the same terms and conditions (other than in the case for asset transaction); (iii) is not subject to a due diligence condition; (iv) is not subject to any financing condition and the funds or other consideration necessary to complete the Acquisition Proposal are or are reasonably necessary to complete the Acquisition Proposal or are reasonably likely to be available to final completion at the time and on the basis set out therein; and (v) in respect of which the Seller Board or the Buyers Board, (as the case might be) determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors, that (a) failure to recommend such Acquisition Proposal to the Seller or Buyer security holders would be inconsistent with its fiduciary duties under applicable Law; and (b) having regard to all of the terms and conditions of the Acquisition Proposal and the person making such Acquisition Proposal, such Acquisition Proposal would, if consummated in accordance with its terms (but not assuming away any risk of non-completion), result in a transaction more favourable to the Seller or Buyer Shareholders (as the case might be) from a financial point of view than the Plan, after taking into account any change to the Plan proposed by Buyer or Seller pursuant to an exercise of any matching rights Buyer might have and taking into account the form and amount of consideration, the likelihood and timing of completion and the other terms thereof (after due consideration of the legal, financial, regulatory and other aspects of such proposal and other factors deemed relevant by the Seller Board), or

10.2 Payment of Reimbursement Fee

The MergCo agrees to pay the Reimbursement Fee to Buyer without withholding or set off if the Scheme does not proceed because:

- (a) **(Competing Transaction)** during the Exclusivity Period, a Competing Transaction is announced and within 12 months of the date of such announcement a Competing Transaction of the kind referred to in paragraphs (b), (c) or (d) of the definition of "Competing Transaction" completes or the relevant third party who announced or made the Competing Transaction (or any of its Associates) otherwise acquires control of the MergCo;
- (b) **(change of recommendation by majority)** during the Exclusivity Period, a majority of the MergCo Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not fair or not reasonable to or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document);
- (c) **(change of recommendation)** during the Exclusivity Period, both:
 - (i) any MergCo Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the

Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not fair or not reasonable to or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document); and

- (ii) the Scheme Shareholders' vote is not approved at the Scheme Meeting.
- (d) **(Buyer termination)** Buyer validly terminates this document in accordance with clause 12.1(c); or
- (e) **(MergCo termination)** the MergCo terminates this document following the MergCo Board determining that a Competing Transaction which was not solicited, invited, encouraged or initiated in breach of the exclusivity provisions is a Superior Proposal.

The Buyer agrees to pay the Reimbursement Fee to MergCo without withholding or set off if the Scheme does not proceed because:

- (f) **(Competing Transaction)** during the Exclusivity Period, a Competing Transaction is announced and within 12 months of the date of such announcement a Competing Transaction of the kind referred to in paragraphs of the definition of "Competing Transaction" completes or the relevant third party who announced or made the Competing Transaction (or any of its Associates) otherwise acquires control of the Buyer;
- (g) **(change of recommendation by majority)** during the Exclusivity Period, a majority of the Buyer Directors fails to recommend voting in favour of any resolution related to the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, except where the change of recommendation or statement is made after the Independent Expert concludes that in the opinion of the Independent Expert the Scheme is not fair or not reasonable to or not in the best interests of Scheme Shareholders (other than where a Competing Transaction has been proposed or announced before the report is issued which the Independent Expert may reasonably regard to be on more favourable terms than the transaction contemplated by this document);
- (h) **(change of recommendation)** during the Exclusivity Period, both:
 - (i) any Buyer Director fails to recommend the Scheme or withdraws their recommendation, adversely changes or qualifies their recommendation or otherwise makes a public statement indicating that he or she no longer supports the Scheme, and
 - (ii) the any Buyers Shareholders vote is not approved.
- (i) **(Buyer termination)** the Buyer terminates this document following the Buyer Board determining that a Competing Transaction which was not solicited, invited, encouraged or initiated in breach of the exclusivity provisions is a Superior Proposal.

10.3 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event in clause 10.1, if the Scheme becomes Effective:

- (a) no amount is payable by the MergCo or Buyer under clause 10.1; and
- (b) if any amount has already been paid under clause 10.1 it must be refunded by Buyer Parent.

10.4 Timing of payment

- (a) A demand by Buyer or MergCo for payment of the Reimbursement Fee under clause 10.2 must:
 - (i) be in writing;
 - (ii) be made after the occurrence of the event in that clause giving rise to the right to payment;
 - (iii) state the circumstances which give rise to the demand; and
 - (iv) nominate an account in the name of Buyer into which the MergCo must pay the Reimbursement Fee.
- (b) The MergCo or the Buyer must pay the Reimbursement Fee to Buyer under clause 10.2 without withholding or set off within 5 Business Days of receipt by the MergCo of a valid demand for payment from Buyer under clause 10.4(a).

The demand may only be made after the occurrence of an event referred to in clause 10.2.

10.5 Nature of payment

The Reimbursement Fee is an amount to compensate either the Buyer or MergCo for:

- (a) advisory costs;
- (b) costs of management and directors' time;
- (c) out-of-pocket expenses;
- (d) the distraction of MergCo or the Buyer's management from conducting Buyer's respective business as usual caused by pursuing the Scheme;
- (e) reasonable opportunity costs incurred by the MergCo or the Buyer in pursuing the Scheme or in not pursuing alternative acquisitions or strategic initiatives which the Buyer Group and Consortium could have developed to further their business and objectives; and

The parties agree that the costs incurred are of a nature that they cannot be accurately quantified and that a genuine pre-estimate of the costs would equal or exceed the amount payable under clause 10.2.

10.6 Reduction in amount payable

- (a) The Reimbursement Fee is reduced by an amount equal to the amount which is recovered by Buyer as a result of a claim against the MergCo pursuant to any other remedies available to Buyer under this document including pursuant to clause 11.1.

- (b) Where the Reimbursement Fee has already been paid, Buyer must, within 5 Business Days of the event contemplated by clause 10.6(a) which would have reduced the amount payable, refund an amount to the MergCo which is equivalent to that calculated under clause 10.6(a).

10.7 MergCo's limitation of liability

Notwithstanding any other provision of this document but subject to clause 10.8:

- (a) the maximum liability of the MergCo to Buyer under or in connection with this document including in respect of any breach of this document will be the Reimbursement Fee; and
- (b) the payment by the MergCo of the Reimbursement Fee represents the sole and absolute amount of liability of the MergCo under or in connection with this document and no further damages, fees, expenses or reimbursements of any kind will be payable by the MergCo in connection with this document.

10.8 Compliance with law

If it is determined by the Takeovers Panel or a Court that all or any part of the amount payable under clause 10.2:

- (a) is unlawful or would if performed be, unlawful;
- (b) involves a breach of the duties of the MergCo Board; or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then MergCo's obligation to pay the applicable amount or part of the amount payable under clause 10.2 does not apply and if Buyer has received any such part of the payment due under clause 10.2 it must refund it within 5 Business Days of such determination.

The parties must not make or cause or permit to be made any application to a Court, arbitral tribunal or the Takeovers Panel for or in relation to a determination referred to in this clause 10.8.

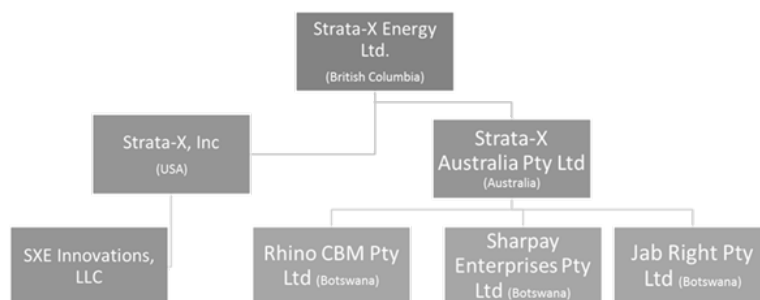
11 Representations and warranties

11.1 Buyer's representations and warranties

The covenants, representations and warranties to be given by Buyer are as follows:

- (a) **Convene general meeting:** Buyer will convene a general meeting of its shareholders prior to Completion for the purpose of approving and obtaining any necessary approvals from its shareholders to enable the transactions contemplated by this Scheme, as required by applicable corporate and securities laws as well as the policies of the ASX and, if applicable, TSX Venture Exchange.
- (b) **Title:** The number of ordinary fully paid shares on issue on the date of this Scheme in Buyer (which includes CHESS Depository Instruments, or CDIs) is 112,538,318 and Buyer will not issue any shares prior to Completion except as disclosed in the Scheme.
- (c) **No right to subscribe:** No person has any right or option to subscribe for or otherwise to acquire any further shares in Buyer, other than existing option holders on the date of this Scheme.
- (d) **No options:** Apart from 22,545,674 options on issue, there are no outstanding options, contracts, calls, first refusals, commitments, rights or demands of any kind relating to the issued or unissued capital of Buyer except as disclosed herein.

- (e) **No other allotments:** Other than as contemplated in this Agreement, Buyer is not under any obligation to allot any shares to any person or persons, or otherwise to alter the structure of any part of its unissued share capital, and Buyer is not under any obligation to give any option over any part of its unissued share capital nor has Buyer offered to do any of the matters stated in this sub-paragraph except as disclosed herein.
- (f) **Fully paid:** All of the issued shares of Buyer are fully paid and no money is owing in respect of them converted and fully paid by Completion.
- (g) **No legal impediment:** The execution, delivery and performance by the Buyer Shareholders of this Scheme will comply with:
 - (i) each law, regulation, authorisation, ruling, judgement, order or decree of any government agency;
 - (ii) the constitution or other constituent documents of the Buyer Shareholders; and
 - (iii) any security interest or document which is binding on the Buyer Shareholders in relation to their shares and Buyer.
 - (iv) any security interest or document which is binding on the Buyer Shareholders in relation to their shares and Buyer.
- (h) **No Event of Insolvency:** No event of insolvency has occurred in relation to Buyer nor is there any act which has occurred or any omission made which may result in an event of insolvency occurring in relation to Buyer.
- (i) **Authorisations:** The Buyer Directors have taken all necessary action to authorise the execution, delivery and performance of the Scheme in accordance with its terms and have full power to enter into and perform the obligations thereunder.
- (j) **Investigations:** Buyer and its Directors are not the subject of any investigation by any regulatory body of any country nor is any such investigation pending or threatened.
- (k) **Tax Investigations:** Buyer and its Directors are not the subject of any investigation or audit by the tax office of any country or state nor is any such investigation or audit pending or threatened.
- (l) **Compliance with laws:** To the best of the Buyer Directors' knowledge information and belief Buyer and its directors are not in material breach of any provision of any relevant laws.
- (m) **Compliance with ASX listing rules:** To the best of the Buyer Directors' knowledge, information and belief Buyer and its directors are not in breach of any provision of any ASX listing rules.
- (n) **Consistency:** To the best of the Buyer Directors' knowledge, information and belief the terms of this Scheme are not inconsistent with and do not contravene the provisions of any other agreement or contract to which Buyer is a party.
- (o) **Subsidiaries:** Buyer has the following subsidiaries, each of which is wholly owned by Buyer:
 - (i) Strata-X Australia Pty Ltd (Australian company wholly owned by Strata-X Energy Ltd)
 - (ii) Rhino CBM Pty Ltd (Botswana company wholly owned by Strata-X Australia Pty Ltd)
 - (iii) Sharpay Enterprises Pty Ltd (Botswana company wholly owned by Strata-X Australia Pty Ltd)
 - (iv) Jab Right Pty Ltd (Botswana company wholly owned by Strata-X Australia Pty Ltd)
 - (v) Strata-X Inc. (USA company wholly owned by Strata-X Energy Ltd)
 - (vi) SXE Innovations LLC. (USA company wholly owned by Strata-X Inc.)



- (p) **Contracts:** To the best of the Buyer Directors' knowledge, information and belief every material contract, instrument or other commitment to which Buyer is a party is valid and binding according to its terms and no party to any such commitment or contract is in material default under the terms of that commitment or contract.
- (q) **Liabilities:** Buyer does not have any liabilities in excess of that disclosed in the financial accounts lodged for the 31 December 2019 (**Last Accounts**).
- (r) **Records properly kept:** All books of accounts and other records of any kind of Buyer:
 - (i) have been fully, properly and accurately kept on a consistent basis and completed in accordance with proper business and accounting practices and all applicable statutes;
 - (ii) have not had any material records or information removed from them;
 - (iii) do not contain or reflect any material inaccuracies or discrepancies;
 - (iv) give and reflect a true and fair view of the trading transactions, or the financial and contractual position of Buyer and of its assets and liabilities;
 - and
 - (v) are in the possession of Buyer.

11.2 Seller's representations and warranties

The representations and warranties to be given by MergCo are as follows:

- (a) **Convene general meeting:** MergCo will convene a general meeting of its shareholders prior to Completion for the purpose of obtaining any necessary approvals from its shareholders to enable the transactions contemplated by this Scheme.
- (b) **Incorporation:** MergCo has been incorporated as a company limited by shares in accordance with the Corporations Act, 2001.
- (c) **No right to subscribe:** No person has any right or option to subscribe for or otherwise to acquire any further shares in MergCo, other than existing option holders on the date of this Agreement.
- (d) **No options:** Apart from 65,379,622 options on issue, there are no outstanding options, contracts, calls, first refusals, commitments, rights or demands of any kind relating to the issued or unissued capital of MergCo except as disclosed herein.
- (e) **No other allotments:** MergCo is not under any obligation to allot any shares to any person or persons, or otherwise to alter the structure of any part of its unissued share capital, and MergCo is not under any obligation to give any option over any part of its unissued share capital nor has MergCo offered to do any of the matters stated in this subparagraph except as disclosed herein.
- (f) **Title:** The number of ordinary fully paid shares on issue on the date of this Scheme in MergCo is 353,194,131 and MergCo will not issue any shares prior to Completion except as disclosed in the Scheme.
- (g) MergCo has taken all necessary action to authorise the execution, delivery and performance of this Scheme in accordance with its terms and has full power to enter into and perform its obligations under this Scheme.
- (h) **No legal impediment:** The execution, delivery and performance by MergCo of its obligations under this Scheme comply with:

- (i) any applicable companies law and relevant stock exchange rules;
 - (ii) the constitution or other constituent documents of MergCo, if any; and
 - (iii) any encumbrance which is binding on MergCo.
- (i) **No Event of Insolvency:** No event of insolvency has occurred in relation to MergCo nor is there any act which has occurred or any omission made which may result in an event of insolvency occurring in relation to MergCo.
 - (j) **Authorisations:** The MergCo Directors have taken all necessary action to authorise the execution, delivery and performance of the Scheme in accordance with its terms and have full power to enter into and perform the obligations thereunder.
 - (k) **Investigations:** MergCo and its Directors are not the subject of any investigation by any regulatory body of any country nor is any such investigation pending or threatened.
 - (l) **Tax Investigations:** MergCo and its Directors are not the subject of any investigation or audit by the tax office of any country or state nor is any such investigation or audit pending or threatened apart from the R & D tax incentive matter that has been disclosed to the ASX.
 - (m) **Compliance with laws:** To the best of the MergCo Directors' knowledge information and belief MergCo and its directors are not in material breach of any provision of any relevant laws.
 - (n) **Compliance with ASX listing rules:** To the best of the MergCo Directors' knowledge, information and belief, MergCo and its directors are not in breach of any provision of any ASX listing rules.
 - (o) **Consistency:** To the best of the MergCo Directors' knowledge, information, and belief the terms of this Agreement are not inconsistent with and do not contravene the provisions of any other agreement or contract to which MergCo is a party.
 - (p) **Subsidiaries:** MergCo has 3 subsidiaries which are wholly owned – Real Energy Queensland Pty Limited, Pure Hydrogen Corporation Pty Ltd and Pure Energy Corporation Limited.
 - (q) **Contracts:** To the best of the MergCo Directors' knowledge, information and belief every material contract, instrument or other commitment to which MergCo is a party is valid and binding according to its terms and no party to any such commitment or contract is in material default under the terms of that commitment or contract.
 - (r) **Liabilities:** MergCo does not have any liabilities in excess of that it disclosed in the financial accounts lodged for the 31 December 2019 (**Last Accounts**).
 - (s) **Records properly kept:** All books of accounts and other records of any kind of MergCo:
 - (i) have been fully, properly and accurately kept on a consistent basis and completed in accordance with proper business and accounting practices and all applicable statutes;
 - (ii) have not had any material records or information removed from them;
 - (iii) do not contain or reflect any material inaccuracies or discrepancies;
 - (iv) give and reflect a true and fair view of the trading transactions, or the financial and contractual position of MergCo and of its assets and liabilities; and
 - (v) are in the possession of MergCo.

11.3 Buyer and Seller's indemnity

Each of Buyer and Seller indemnifies the MergCo or Buyer, as the case may be, Indemnified Parties against all Losses incurred directly or indirectly as a result of any of the representations and warranties in clause 11.1 or 11.2, as the case may be, not being true and correct.

12 Termination

12.1 Termination events

This document may be terminated:

- (a) **(End Date)** by either party, if the Scheme has not become Effective on or before the End Date;
- (b) **(lack of support)** by Buyer at any time prior to 8.00am on the Second Court Date if, pursuant to clause 6.1, a majority of the MergCo Board changes its recommendation or fails to recommend to the Scheme Participants that they vote in favour of the resolution to approve the Scheme;
- (c) **(material breach)** by either Buyer or the MergCo at any time prior to 8.00am on the Second Court Date, if the other is in material breach of a term of this document (including any representation and warranty not being true and correct), taken in the context of the Scheme as a whole, provided that Buyer or the MergCo (as the case may be) has, if practicable, given notice to the other setting out the relevant circumstances and the relevant circumstances continue to exist 5 Business Days (or any shorter period ending at 8.00am on the Second Court Date) after the time such notice is given;
- (d) **(MergCo Prescribed Event or Material Adverse Effect)** by Buyer if at any time prior to 8.00am on the Second Court Date, there is a MergCo Prescribed Event or Material Adverse Effect;
- (e) **(competing interest)** by Buyer, if a person (other than Buyer, its Associates or an existing Scheme Shareholder) has a Relevant Interest in more than 20% of the MergCo Shares;
- (f) **(Competing Transaction)** by the MergCo if the MergCo Board determines that a Competing Transaction that was not solicited, invited, encouraged or initiated in breach of clause 10.2 is a Superior Proposal;
- (g) **(consultation or appeal failure)** in accordance with and pursuant to:
 - (i) clause 3.6(a);
 - (ii) clause 3.6(b); or
 - (iii) clause 6.8; or
- (h) **(agreement)** if agreed to in writing by Buyer and the MergCo.

12.2 Termination

Where a party has a right to terminate this document, that right for all purposes will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates this document and the grounds on which the party is relying to terminate this document.

12.3 Effect of Termination

If this document is terminated by either party, or if this document otherwise terminates in accordance with its terms, then in either case all further obligations of the parties under this document, other than the obligations set out in this clause and in clause 11, and 15 to 20 (inclusive) will immediately cease to be of further force and effect without further liability of any party to the other, provided that nothing in this clause releases any party from liability for any pre-termination breach of this

document.

12.4 Damages

Subject to clause 11, in addition to the right of termination under clause 12.1, the non-defaulting party is entitled to damages for Losses suffered by it and expenses incurred by it as a result of the breach of the terms of this document.

13 Public announcements

13.1 Public announcement of Scheme

Immediately after signing this document, each of the Buyer and the MergCo must issue a public announcement of the proposed Scheme in the form agreed by the parties.

13.2 Required disclosure

Where a party is required by any applicable law or any Listing Rule to make any announcement or make any disclosure in connection with the Scheme, it must use all reasonable endeavours, to the extent practicable and lawful, to consult with the other party prior to making the relevant disclosure.

13.3 Other announcements

Subject to clauses 13.1 and 13.2, no party may make any public announcement or disclosure in connection with the Scheme (including disclosure to a Regulatory Authority) other than in a form approved by each party (acting reasonably). Each party will use all reasonable endeavours to provide such approval as soon as practicable.

14 Confidential Information

14.1 Disclosure of Buyer Confidential Information

Each party acknowledges and agrees that it continues to be bound by the Confidentiality and Exclusivity Agreement in respect of all information received by it from the other party on, before or after the date of this document.

14.2 Termination

This clause will survive termination (for whatever reason) of this document.

15 Notices and other communications

15.1 Form

Unless this document expressly states otherwise, all notices, demands, certificates, consents, approvals, waivers and other communications in connection with this document must be in writing and signed by the sender (if an individual) or an Authorised Officer of the sender.

All communications (other than email communications) must also be marked for the attention of the person referred to in the Details (or, if the recipient has notified otherwise, then marked for attention in the way last notified).

Email communications must state the first and last name of the sender and are taken to be signed by the named sender.

15.2 Delivery

Communications must be:

- (a) left at the address referred to in the Details;

- (b) sent by regular ordinary post (airmail if appropriate) to the address referred to in the Details; or
- (c) sent by email to the address referred to in the Details.

If the intended recipient has notified changed contact details, then communications must be sent to the changed contact details.

15.3 When effective

Communications take effect from the time they are received or taken to be received under clause 16.4 ("When taken to be received") (whichever happens first) unless a later time is specified in the communication.

15.4 When taken to be received

Communications are taken to be received:

- (a) if sent by post, 6 Business Days after posting (or 10 days after posting if sent from one country to another);
- (b) if sent by email:
 - (i) when the sender receives an automated message confirming delivery; or
 - (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that delivery failed,

whichever happens first.

15.5 Receipt outside business hours

Despite anything else in this clause 16, if communications are received or taken to be received under clause 16.4 ("When taken to be received") after 5.00pm on a Business Day or on a non-Business Day, they are taken to be received at 9.00am on the next Business Day. For the purposes of this clause, the place in the definition of Business Day is taken to be the place specified in the Details as the address of the recipient and the time of receipt is the time in that place.

16 GST

16.1 Definitions and interpretation

For the purposes of this clause:

- (a) "GST Act" means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth);
- (b) a term which has a defined meaning in the GST Act has the same meaning when used in this clause, unless the contrary intention appears; and
- (c) each periodic or progressive component of a supply to which section 156-5(1) of the GST Act applies will be treated as if it were a separate supply.

16.2 GST exclusive

Unless this document expressly states otherwise, all consideration to be provided under this document is exclusive of GST.

16.3 Payment of GST

- (a) If GST is payable, or notionally payable, on a supply in connection with this document, the party providing the consideration for the supply agrees to pay to the supplier an additional amount equal to the amount of GST payable on that supply ("**GST Amount**").
- (b) Subject to the prior receipt of a tax invoice, the GST Amount is payable at the same time as the GST-exclusive consideration for the supply, or the first part of the GST-exclusive consideration for the supply (as the case may be), is payable or is to be provided.
- (c) This clause does not apply to the extent that the consideration for the supply is expressly stated to include GST or the supply is subject to a reverse-charge.

16.4 Adjustment events

If an adjustment event arises for a supply made in connection with this document, the GST Amount must be recalculated to reflect that adjustment. The supplier or the recipient (as the case may be) agrees to make any payments necessary to reflect the adjustment and the supplier agrees to issue an adjustment note.

16.5 Reimbursements

Any payment, indemnity, reimbursement or similar obligation that is required to be made in connection with this document which is calculated by reference to an amount paid by another party must be reduced by the amount of any input tax credits which the other party (or the representative member of any GST group of which the other party is a member) is entitled. If the reduced payment is consideration for a taxable supply, clause 17.3 will apply to the reduced payment.

17 Costs

17.1 Costs

The parties agree to pay their own Costs in connection with the preparation, negotiation, execution and completion of this document.

18 General

18.1 Variation and waiver

A provision of this document, or right, power or remedy created under it, may not be varied or waived except in writing signed by the party to be bound.

18.2 Consents, approvals or waivers

By giving any approval, consent or waiver a party does not give any representation or warranty as to any circumstance in connection with the subject matter of the consent, approval or waiver.

18.3 Discretion in exercising rights

Unless this document expressly states otherwise, a party may exercise a right, power or remedy or give or refuse its consent, approval or a waiver in connection with this document in its absolute discretion (including by imposing conditions).

18.4 Partial exercising of rights

Unless this document expressly states otherwise, if a party does not exercise a right, power or remedy in connection with this document fully or at a given time, they may

still exercise it later.

18.5 Conflict of interest

Each party may exercise their rights, powers and remedies in connection with this document even if this involves a conflict of duty or they have a personal interest in their exercise.

18.6 Remedies cumulative

The rights, powers and remedies in connection with this document are in addition to other rights, powers and remedies given by law independently of this document.

18.7 Indemnities and reimbursement obligations

Any indemnity, reimbursement or similar obligation in this document.

- (a) is a continuing obligation despite the satisfaction of any payment or other obligation in connection with this document, any settlement or any other thing;
- (b) is independent of any other obligations under this document; and
- (c) continues after this document, or any obligation arising under it, ends.

It is not necessary for a party to incur expense or make payment before enforcing a right of indemnity in connection with this document.

18.8 Inconsistent law

To the extent the law permits, this document prevails to the extent it is inconsistent with any law.

18.9 Supervening law

Any present or future law which operates to vary the obligations of a party in connection with this document with the result that another party's rights, powers or remedies are adversely affected (including, by way of delay or postponement) is excluded except to the extent that its exclusion is prohibited or rendered ineffective by law.

18.10 Counterparts

This document may consist of a number of copies, each signed by one or more parties to it. If so, the signed copies are treated as making up a single document and the date on which the last counterpart is executed is the date of the document.

18.11 Entire agreement

This document (including the documents in the Schedules to this document) and the Confidentiality and Exclusivity Agreement constitute the entire agreement of the parties about its subject matter and supersedes all previous discussions, agreements, understandings and negotiations on that subject matter.

18.12 Further steps

Each party agrees to do anything (such as obtaining consents, signing and producing documents, producing receipts and getting documents completed and signed), which the other party asks and considers necessary to:

- (a) bind the party and any other person intended to be bound under this document; or

- (b) show whether the party is complying with this document.

18.13 No liability for loss

Unless this document expressly states otherwise, a party is not liable for any loss, liability or costs arising in connection with the exercise or attempted exercise of, failure to exercise, or delay in exercising, a right, power or remedy in connection with this document.

18.14 Severability

If the whole or any part of a provision of this document is void, unenforceable or illegal in a jurisdiction it is severed for that jurisdiction. The remainder of this document has full force and effect and the validity or enforceability of that provision in any other jurisdiction is not affected. This clause has no effect if the severance alters the basic nature of this document or is contrary to public policy.

18.15 Rules of construction

No rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of, or seeks to rely on, this document or any part of it.

18.16 Assignment

A party may not assign or otherwise deal with its rights under this document or allow any interest in them to arise or be varied without the consent of the other party.

18.17 Enforceability

For the purpose of this document:

- (a) the MergCo is taken to be acting as agent and trustee on behalf of and for the benefit of all MergCo Indemnified Parties; and
- (b) Buyer is taken to be acting as agent and trustee on behalf of and for the benefit of all Buyer Indemnified Parties,

and all of those persons are to this extent taken to be parties to this document.

18.18 No representation or reliance

Each party acknowledges that:

- (a) no party (nor any person acting on its behalf) has made any representation or other inducement to it to enter into this document, except for representations or inducements expressly set out in this document and the Equity Commitment Letter;
- (b) it does not enter into this document in reliance on any representation or other inducement by or on behalf of any other party, except for any representation or inducement expressly set out in this document and the Equity Commitment Letter; and
- (c) clauses 19.18(a) and 19.18(b) above do not prejudice any rights a party may have in relation to information which had been filed by the other party with ASIC or ASX.

19 Governing law

19.1 Governing law and jurisdiction

The law in force in the place specified in the Details governs this document. The parties submit to the non-exclusive jurisdiction of the courts of that place.

19.2 Serving documents

Without preventing any other method of service, any document in an action in connection with this document may be served on a party by being delivered or left at that party's address for service of notices under clause 16.2 ("Delivery") or with its process agent.

Signing Page

EXECUTED by the parties as an Agreement on the 14th day of July 2020.

EXECUTED BY

REAL ENERGY CORPORATION LIMITED

ACN 139 792 420

in accordance with section 127 of the Corporations
Act:



Dang Lan Nguyen

Director



Ron Hollands

EXECUTED BY

STRATA-X ENERGY LIMITED

(a corporation incorporated under the laws of
the Province of British Columbia) in accordance
with its constituent documents and place of
incorporation:



Ron Prefontaine
Director



Duncan Cornish
Director

Scheme Implementation Agreement

Schedule 1 Indicative Timetable

Event	Date
Lodge regulator draft of Scheme Booklet with ASIC and ASX	21 August 2020
Application in respect of the Court hearing to be held on the First Court Date, filed with the Court, served on ASIC	4 September 2020
First Court Date	17 September 2020
Printing and despatch of Scheme Booklet	21 September 2020
Scheme Meeting held	22 October 2020
Suspension of trading and freezing of Register	22 October 2025
Second Court Date	29 October 2020
Lodge Court order with ASIC (Effective Date)	29 October 2020
Implementation Date	30 October 2020
Request for removal from the official list of ASX	30 October 2020

The timetable is indicative only and may be subject to change.

Annexure A Scheme of Arrangement