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### Company Update – Section 201A of the Corporations Act 2001 (Cth)

Story-i Limited (**SRY** or the **Company**) provides the following update with respect to its current suspension from trading. The Company has been suspended from trading on the ASX since 24 March 2021, and as first announced on 13 May 2021, the Company has extended that suspension pending announcements with respect to certain ASX queries.

In response to one of ASX's queries, SRY advises that in the periods between 12 January 2015 and 4 August 2020, and also 29 March 2021 and 30 April 2021 (**Relevant Periods**) the Company was prima facie in breach of section 201A(2) of the *Corporations Act 2001* (Cth) (**Corporations Act or Act**) as it did not, during the Relevant Periods, have two (2) directors that were ordinarily resident in Australia. The Company has sought independent legal advice with respect to the implications (including any potential implications):

1. for the Company resulting from its non-compliance with section 201A(2) of the Corporations Act;
2. for the various agreements and arrangements that the Company entered into during the Relevant Periods; and
3. on the validity of the meetings of directors and resolutions put to, and passed at, those meetings during the Relevant Periods.

Formal legal advice has been provided to the Company by an independent legal adviser, Steinepreis Paganin (**ILA**), in respect to the above matters. The ILA advised that (amongst other things):

1. the Company has, prima facie breached the provisions of section 201A of the Corporations Act during the Relevant Periods;
2. there are no implications (or potential implications) for the various agreements and arrangements that the Company entered into during the Relevant Periods, as the Company's actions are protected and not invalidated by the operation of common law, the Company's constitution and sections 129 and 201M of the Corporations Act;
3. there are no implications (or potential implications) in respect to the validity of the meetings of directors and resolutions put to, and passed at, those meetings during the Relevant

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Periods, as the Board's actions are protected and not invalidated by common law, the Company's constitution and section 201M of the Corporations Act; and

4. the Company has the option, pursuant to section 1322(4) of the Corporations Act, to seek from the Federal Court a declaration which validates all actions, contracts, meetings or arrangements which it undertook during the Relevant Periods. However, on current instructions, the ILA does not consider that there is any requirement for the Company to seek such a declaration.

The Company confirms it is not currently in breach of section 201A of the Corporations Act and is not intending to take this matter further.

A summary of the legal opinion is as follows:

Section 201A of the Corporations Act

1. Section 201A(2) of the Corporations Act provides that a public company must have at least three directors (not counting alternate directors) and that at least of those two (2) directors must 'ordinarily reside' in Australia.
2. There is no specific penalty for a breach of section 201A of the Corporations Act. However, per the terms of Section 1311(1)(c) of the Corporations Act, a breach of section 201A of the Corporations Act is an offence punishable by fine of \$4,440 (being 20 penalty units).
3. The ILA understands that the Company accepts it has, prima facie, been in breach of section 201A of the Corporations Act, in that it has less than two (2) directors "ordinarily resident in Australia", during the Relevant Periods.

Are corporate actions prohibited by a breach of Section 201A?

4. The ILA examined case law in respect to a breach of Section 201A of the Corporations Act, in particular the statutory intention of this provision, and it was noted (amongst other things) that:
  - (a) there was no policy precluding decision-making at director level when fewer than the specified minimum number of directors is able to vote;
  - (b) the Act contemplates valid and effective action by a public company board having fewer than three (3) members; and
  - (c) the scope and purpose of the Act are such that a public company (without a constitution) which has fewer than three directors is capable of functioning.
5. Following the examination of the various case authorities, the ILA concluded that absent anything to the contrary in the Company's constitution, the Corporations Act itself does not preclude the directors acting and continuing to act in their role solely due to non-compliance with section 201A. As such, there are no implications for the Company merely and solely due to its non-compliance with section 201A(2), and the various agreements and arrangements entered into during the Relevant Periods, as well as board resolutions put to and passed at directors' meetings during the Relevant Periods should not be invalidated.

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6. The ILA also considered the various case authorities in respect to the validity of a contract executed during the Relevant Period and it was noted (amongst other things) that:
  - (a) a statute which prohibits the doing of an act under penalty does not necessarily sterilise a legal relationship associated with that act; and
  - (b) the refusal of courts to enforce contracts associated with illegal activity stems not from express or implied legislative prohibition but from the policy of the law (ie. public policy) and the primary consideration is whether according to "the scope and purpose of the statute", the legislative purpose will be fulfilled without regarding the contract as void and unenforceable.
7. Having regard to these case authorities, the ILA considered that the conclusions reached in paragraph 5 (regarding the actions of directors) apply also to the execution of contracts and any other actions of the Board. Importantly, it was noted that the actions of the Board were not necessarily null and void and the Company was not 'paralysed and incapable' when in breach of section 201A of the Corporations Act.

Statutory defences

8. The ILA also examined certain statutory defences under the Corporations Act which provided protections to the Board and it was noted that:
  - (a) Section 201M of the Corporations Act allows for an act done by a director to be effective even if their appointment, or the continuance of their appointment, is invalid because the company or director did not comply with the constitution (if any) or any provision of the Corporations Act. Note that the Company's constitution expressly includes this protection.
  - (b) Sections 128 and 129 of the Corporations Act details certain assumptions that third parties who deal with companies (and third parties who contract with companies) can make (ie. a person can assume that anyone appearing on a company's ASIC extract as a director has been duly appointed and has the authority to exercise the powers and perform the duties customarily exercised or performed by a director of a similar company, unless they knew or suspected that their assumption was incorrect).
  - (c) Under section 1322(4) of the Corporations Act, the Federal Court may, on application, make an order declaring that "any act, matter or thing purporting to have been done ..., under this Act or in relation to a corporation is not invalid by reason of any contravention of a provision of this Act or a provision of the constitution", unless the irregularity causes substantial injustice. In the present circumstances, ILA does not consider that an application to the Court under Section 1322(4) of the Corporations Act is required.

Authorised for release by the Board of Directors of Story-I Limited.

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